Direct Loan Awards and Loan Periods

CHAPTER 3

The rules for awarding Direct Loans are different than for Pell Grants and other FSA programs. For Direct Subsidized/Unsubsidized Loans, there are annual loan limits that vary by grade level, and aggregate limits on the total (cumulative) loan amount that may be outstanding at one time. Also, the loan period, payment period, and the disbursements within that period may not always correspond to the payment periods that you're using for Pell Grants. Finally, the requirement to prorate Direct Subsidized/Unsubsidized Loan limits under certain circumstances is different than the requirements for calculating Pell Grants.

OVERVIEW OF DIRECT LOAN DATA

The data that your school must include when originating a Direct Loan must include the total amount of the loan, the loan period, and the amounts of the individual loan disbursements.

Factors that limit amount of a Direct Subsidized/Unsubsidized Loan a student may receive include the:

1. annual loan limit, which varies depending on
    - whether a borrower is an undergraduate or a student in a graduate or professional program, and
    - for undergraduates, the borrower's year in school and dependency status;
2. aggregate loan limit, which varies depending on whether a borrower is an undergraduate or a student in a graduate or professional program; and
3. student's financial need (for Direct Subsidized Loans; see *The Federal Student Aid Handbook, Volume 3* for a discussion of cost of attendance and packaging.)

Annual and aggregate loan limits apply to Direct Loan Subsidized and Unsubsidized Loans but not to Direct PLUS Loans.

Packaging ensures that the borrower's total aid award does not exceed the borrower's financial need, based on cost of education. Packaging applies to Direct PLUS Loans as well as to Direct Loan Subsidized and Unsubsidized Loans.

The resulting award amount will usually be divided into two or more payments for the period of the loan. The amounts of these individual disbursements will be reported to COD, along with the actual or anticipated disbursement dates.

Originating a loan

A financial aid administrator should be aware of the responsibility incurred in originating a loan. Schools that originate loans for ineligible borrowers, or for loan amounts that exceed loan limits or the borrower's need are subject to administrative actions such as a fine, limitation, suspension and termination, as well as liabilities for the loan itself including any associated costs. A school may not originate a loan for a period that includes a portion of an academic year in which the student is no longer enrolled (regardless of whether a student has ceased attendance or advanced to the next academic year).

Reporting and record keeping

The total loan amount awarded for the loan period is reported to COD as the Award Amount Requested. The information used for packaging awards (student's cost of attendance, EFC, and estimated financial assistance) is not reported to the COD system. However, a school must keep this information, as well as any other information related to the borrower's eligibility, for three years after the end of the award year in which the student last attended.

Direct Loan Data Reported to COD

This example shows the types of information that a school would report to COD for a Direct Subsidized Loan made to a first-year dependent student who is enrolled for a full academic year that runs from September to May and has two semesters/trimesters or two non-term payment periods.

Award Data		**Disbursement Data**	
Award Amount Requested:	$3,500	Disbursement Number:	1
Award Start Date:	Sep. 7, 2012	Gross Amount:	$1,750
Award End Date:	May 15, 2013	Disbursement Date:	Sep. 20, 2012
Academic Start Date:	Sep. 7, 2012		
Academic End Date:	May 15, 2013	Disbursement Number:	2
		Gross Amount:	$1,750
		Disbursement Date:	Jan. 12, 2013

To request Direct Loan funds for a borrower, a school must certify that the borrower is eligible for the loan award and must provide specific amounts and dates for each disbursement of the loan award.

A borrower's eligibility for a Direct Loan is calculated differently than for a Pell Grant. There are no fixed tables such as the Pell Grant Payment and Disbursement Schedules that determine award amounts. Direct Subsidized/Unsubsidized Loans have annual and aggregate limits that are the same for all borrowers at a given grade level and dependency status. In general, you may not originate a loan for more than the:

- amount the borrower requests,
- borrower's cost of attendance (see *The Federal Student Aid Handbook, Volume 3)*,
- borrower's maximum borrowing limit as described in this chapter), or
- borrower's unmet financial need (as determined using the rules in *The Federal Student Aid Handbook, Volume 3)*.

For Direct Loans, the loan origination record is sent electronically to the Common Origination and Disbursement system (COD). The school's origination includes the borrower's grade level, loan period, anticipated disbursement dates, and the amounts of the anticipated or actual disbursements (using the rules described in this chapter).

Refusing to originate a loan or originating for less than maximum eligibility

HEA Sec. 479(A)(c), 34 CFR 685.301(a)(8), DCL GEN-11-07

On a case-by-case basis, you may refuse to originate the loan for an individual borrower or you may originate a loan for an amount less than the borrower's maximum eligibility. However, you may NOT limit borrowing by students or parents on an across-the-board or categorical basis. You must ensure that these decisions are made on a case-by-case basis and do not constitute a pattern or practice that denies access to borrowers because of race, sex, color, income, religion, national origin, age, or handicapped status. Also note that your school cannot engage in a practice of originating Direct Loans only in the amount needed to cover the school charges or limiting unsubsidized Direct Loan borrowing by independent students. When you make a decision not to originate a loan or to reduce the amount of the loan, you must document the reasons and provide the explanation to the student in writing.

Checklist for Loan Origination

For all Direct Loans, you must document a student's cost of attendance, expected family contribution (EFC), and estimated financial assistance in the student's file. This information must be made available to the Department upon request. A school must also confirm that the borrower meets the definition of eligible borrower by doing the following:

- For parents applying for a Direct PLUS Loan, ensuring the student has completed a FAFSA and the parent is eligible to borrow;
- Determining that a student (for a Parent PLUS Loan) or borrower (for a Direct Subsidized or Unsubsidized Loan) meets the eligibility requirements (see *The Federal Student Aid Handbook, Volume 1*);
- Reviewing the NSLDS information on the ISIR to ensure that the student or borrower is not in default and does not owe an overpayment on an FSA grant or loan (See *Volume 5)* and will not exceed the annual or aggregate loan limits (as described in this chapter);
- Ensuring that the amount of the loan, in combination with other aid, will not exceed the borrower's financial need (see *The*
- Ensuring that the loan disbursement dates meet cash management and disbursement requirements.
- Determining a borrower's Pell Grant eligibility and, if eligible, including the grant in the student's aid package;
- For an Direct Unsubsidized Loan, first determining a borrower's eligibility for a Direct Subsidized Direct Loan;
- Ensuring that the amount of the loan will not exceed a borrower's annual or aggregate loan limit; and
- Prorating the annual loan limit for an undergraduate enrolled in a program or remaining period of study that is shorter than an academic year (as described in this chapter).

LOAN PERIODS, ACADEMIC TERMS, AND PROGRAM LENGTH

It's important to define the loan period (sometimes referred to as the *period of enrollment*) at the outset because the length of the loan period will determine the timing and amount of disbursements. This discussion assumes that your school has already established its academic measurements. If you have not already done so, see *The Federal Student Aid Handbook, Volume 2* for a discussion of eligible programs, academic years, payment periods, and conversion of clock hours/credit hours.

Generally, if a credit-hour program uses standard terms (semesters, trimesters, or quarters), or has nonstandard terms that are substantially equal in length, with each term at least nine weeks in length (see "SE9EW" sidebar on next page), the *minimum* loan period is a single academic term.

As an example, if a borrower will be enrolled in the fall semester only and will skip the spring semester, you may originate a loan for that term alone. (Remember, however, that the loan amount must be based on the reduced costs and EFC for that term rather than for the full academic year.)

Period of enrollment (loan period)

The period of enrollment for which a Direct Loan is intended must coincide with an academic period established by the school for which institutional charges are generally assessed (e.g., semester, trimester, quarter, length of the student's program, or academic year). The period of enrollment is also referred to as the loan period.

34 CFR 685.102(b)

Minimum and maximum loan periods

- *Maximum* is generally the school's academic year. In some cases, the loan period may be longer than an academic year if the loan is for the length of a program that is longer than an academic year and the school applies the annual loan limit to that longer period.
- *Minimum* (standard term programs and SE9W programs) = one academic term.
- Minimum (all other programs, i.e, clock hour, non-term, and other nonstandard term), lesser of the academic year, the student's program, the remaining portion of the program, or the remaining portion of an academic year. These loan periods also apply to programs that are a mixture of standard terms and nonstandard terms not offered in a traditional academic calendar.

34 CFR 685.301(a)(9)

Nonstandard "SE9W" Terms

If a credit-hour program has nonstandard terms, the terms are substantially equal in length, and each term is at least nine weeks of instructional time in length, then the terms, for annual loan limit progression purposes, are referred to throughout this chapter as "SE9W."

The length of terms is measured in weeks of instructional time, as defined in *The Federal Student Aid Handbook, Volume 3*. Nonstandard terms are substantially equal if no term in the loan period is more than two weeks of instructional time longer than any other term in that loan period.

A nonstandard program with SE9W terms may use an SAY if it has a fixed academic calendar comparable to a traditional academic calendar (i.e., terms that start at about the same time each year, where two or more nonstandard terms normally make up the academic year in the fall through spring).

For all other programs, including clock-hour and non-term credit-hour programs, the minimum loan period is the lesser of:

- the academic year as defined by the school (see *The Federal Student Aid Handbook, Volume 3*);
- the length of the borrower's program (if the program is shorter than an academic year); or
- the remaining portion of the program (if the remaining portion of the borrower's program is less than an academic year).

Also, for these other programs, you may originate a loan for the remaining portion of the academic year if:

- a borrower transfers into the school with credit or clock-hours from another school, and the prior school originated a loan for a period of enrollment that overlaps the period of enrollment at the new school, or
- a borrower completes a program at a school, where the borrower's last loan to complete that program had been for less than an academic year, and the borrower then begins a new program at the same school.

In either of these cases, the loan amount must not exceed the remaining balance of the borrower's annual loan limit at the loan level associated with the new program.

For all programs, the maximum loan period is generally the school's academic year. However, you can have more than one loan in an academic year up to the annual loan limit.

Direct Loans at multiple schools

Unlike Pell Grants, it is possible for a borrower who is separately enrolled and eligible at multiple schools to get a Direct Subsidized/Unsubsidized Loan (and for a graduate/professional borrower or parent to receive a Direct PLUS Loan) at more than one school for the same period. The schools that the borrower is attending are responsible for coordinating to make sure that the total amount of the loans the borrower receives does not exceed the applicable annual loan limit. In addition, the schools must ensure that there is no duplication of noninstitutional costs when determining the borrower's cost of attendance. (Note that in this case, which is different than the consortium arrangements discussed in *Volume 2*, loan funds awarded at one school are not to be included as estimated financial assistance by any other school the borrower is attending when determining the borrower's loan eligibility for the same period.)

LOAN LIMITS

Aggregate loan limits

A borrower who has reached his or her aggregate borrowing limit may not receive additional loans. Once the loans are repaid, in full or in part, the borrower may apply for additional Direct Loans. The maximum outstanding total Direct Subsidized and Direct Unsubsidized debt is:

- $31,000 for a dependent undergraduate borrower. No more than $23,000 of this amount may be in the form of Direct Subsidized Loans.
- $57,500 for an independent undergraduate borrower (or a dependent undergraduate borrower whose parents do not qualify for Direct PLUS Loans). No more than $23,000 of this aggregate amount may be in the form of Direct Subsidized Loans.
- $138,500 for a graduate or professional borrower (including loans for undergraduate study). No more than $65,500 of this aggregate amount may be in the form of Direct Subsidized Loans.

The loan amounts counted towards these maximums include any outstanding amounts borrowed in the form of Direct Subsidized/ Unsubsidized Loans as well as subsidized and unsubsidized Federal Stafford Loan amounts previously borrowed under the Federal Family Education Loan (FFEL) Program prior to July 1, 2010. In the case of a Direct Consolidation Loan (or a FFEL Consolidation Loan made before July 1, 2010), the outstanding amount of the Consolidation Loan representing any underlying Direct Subsidized/Unsubsidized Loans or Subsidized/Unsubsidized Federal Stafford Loans that were paid off by the Consolidation Loan is counted towards the aggregate Direct Loan limits.

Checking loan amounts on NSLDS

If a borrower at your school has FSA loans that were received at other schools, you may need to check the National Student Loan Data System (NSLDS) website site to make sure the borrower still has remaining eligibility under the aggregate loan limits.

As long as there is no conflicting information, you may rely on the financial aid history (provided on the ISIR as well as the NSLDS website) and the Transfer Borrower Monitoring process to tell you if a borrower is about to exceed the aggregate Direct Loan limits. (The NSLDS financial aid history may affect eligibility for other FSA programs, so it is discussed in more detail in the *Federal Student Aid Handbook, Volume 1*.)

The aggregate loan limits do not include accrued or capitalized interest or other charges. To avoid counting interest and other charges when determining a borrower's remaining loan eligibility using NSLDS, use the *aggregate outstanding principal balance (Agg. OPB)* shown in NSLDS for each of the borrower's outstanding Direct Loans.

NSLDS on the Web
You can review the complete student loan history for your students and generate reports on the NSLDS Professional Access website:

https://www.nsldsfap.ed.gov/

Treatment of consolidated Perkins Loans

A consolidated Perkins Loan is not counted toward the aggregate Direct Loan limits.

For instance, suppose a borrower has a Direct Unsubsidized Loan disbursed in the amount of $5,000. Over time, $200 in interest accrues and is capitalized. The total outstanding balance on the loan will be $5,200, and the aggregate outstanding principal balance will be $5,000. It is the last figure, the aggregate outstanding principal balance—as displayed in the borrower's NSLDS Loan Detail—that you should use to determine remaining loan eligibility under the aggregate loan limits.

For Consolidation Loans (both Direct Consolidation Loans and Federal Consolidation Loans made under the FFEL Program), which may include Direct Subsidized/Unsubsidized Loans and Subsidized/Unsubsidized Federal Stafford Loans, NSLDS will now show separate totals for the Subsidized Agg OPB and Unsubsidized Agg OPB. In addition, NSLDS will show a total for "Unallocated" loan amounts for loans that cannot be identified. You are not responsible for reviewing these Unallocated loans to determine their origin.

Effect of change in borrower status on aggregate loan limits

In some cases, a borrower may qualify for higher loan limits but then lose the eligibility for the higher limits. This situation could occur because a dependent borrower's parent received a Direct PLUS Loan after having been denied in previous years, and the borrower therefore could no longer borrow at the independent borrower loan levels, or because a borrower with a graduate degree entered an undergraduate degree program. In these cases, you only count the loan amounts that the borrower would have received under his or her current eligibility as an undergraduate or dependent borrower against the applicable undergraduate aggregate loan limit.

The NSLDS website displays undergraduate and graduate aggregate amounts in the Aggregate Loan Information section for subsidized, unsubsidized, combined, and unallocated portions of consolidated loans. The undergraduate aggregate section will display only if the borrower has undergraduate loans, and the graduate aggregate section will display only if the borrower has graduate loans.

Also, on the NSLDS website, the Exceeds Loan Limits warning symbols provide automatic filters to display the Loan Summary list on the Loan History web page to show those loans that were attributed to the applicable loan limit overage. These website tools will assist with separating undergraduate, graduate, and overall loan totals and will aid in eligibility determinations.

Example: Consolidation and Direct Loan Limits

An independent student who previously completed an undergraduate program at a different school enrolls at your school to earn a second undergraduate degree. She is granted credit for three years of previous study. The student applies for a Direct Loan for her new senior year and has financial need for the maximum annual loan amount ($5,500 in Direct Subsidized Loan funds and $7,000 in Direct Unsubsidized Loan funds).

The student's loan record on NSLDS shows that she has a Subsidized Agg OPB of $17,000. Therefore, the student has a remaining subsidized eligibility of $6,000 ($23,000— $17,000).

NSLDS also shows that the student has Unsubsidized Agg OPB of $19,000. When you add the unsubsidized and unsubsidized OPBs, you find that the student has a Total Agg OPB of $36,000.

After awarding the student a Direct Subsidized Loan of $5,500, her Total Agg OPB will be $41,500 ($36,000 + $5,500). Therefore, you can also award the student a Direct Unsubsidized Loan of $7,000 without exceeding the combined subsidized/unsubsidized aggregate loan limit of $57,500 for independent undergraduates.

Example: Aggregate Loan Limits with Additional Direct Unsubsidized Loans When Parents Are Denied Direct PLUS

A dependent student is treated as an independent student for loan limit purposes and receives additional unsubsidized loan funds (up to the additional amounts available to independent undergraduates) for the first three years at your school because a parent was denied a Direct PLUS Loan for each of those years:

1st year (independent student loan limit) = $9,500 (maximum $3,500 subsidized)
2nd year (independent student loan limit) = $10,500 (maximum $4,500 subsidized)
3rd year (independent student loan limit) = $12,500 (maximum $5,500 subsidized)

For each of the first three years, the student receives the maximum subsidized amount and the maximum additional unsubsidized amount. In the 4th year, the parent is eligible for a Direct PLUS Loan, so the student is then subject to the annual and aggregate loan limits for a dependent undergraduate. Although it might appear that the student would have no remaining loan eligibility for year 4 because the total amount received for years 1-3 exceeds the $31,000 dependent undergraduate aggregate loan limit, the additional Direct Unsubsidized Loan amount that the student received as a result of the parent PLUS denials in the first three years of the undergraduate program does not count against the $31,000 dependent aggregate limit.

The student received a total of $19,000 in additional Direct Unsubsidized Loan funds for the first three years ($6,000 each in years 1 and 2, and $7,000 in year 3). Of this total additional unsubsidized amount, the student would have been eligible to receive $6,000 ($2,000 each year) as a dependent undergraduate if the student's parent had qualified for a Direct PLUS Loan. The extra $13,000 in unsubsidized funds the student received as a result of the parent being unable to obtain a Direct PLUS Loan for the first three years ($4,000 in years 1 and 2, and $5,000 in year 3) is not counted against the $31,000 dependent undergraduate aggregate when determining the student's loan eligibility for year 4. Excluding this amount, only $19,500 of the total $32,500 the student received for the first three years counts against the $31,000 dependent undergraduate aggregate loan limit. This means that for year 4 the student is eligible to receive up to the full annual loan limit for a dependent undergraduate:

4th year (dependent student loan limit) = $7,500 (maximum $5,500 subsidized)

Financial Aid History Requirement and NSLDS

To ensure that a borrower doesn't exceed the annual and aggregate Direct Loan limits, the student's FAFSA data is matched with the National Student Loan Data System, and the student's loan history is included in the ISIR. If a student transfers to your school, you must inform NSLDS so that it can begin the Transfer Student Monitoring process. More detailed information on how this requirement applies to all of the FSA programs can be found in *The Federal Student Aid Handbook, Volume 1*. You can review the complete student loan history for your students and generate reports on the NSLDS Professional Access website:

NSLDS: https://www.nsldsfap.ed.gov/

Once the student is enrolled in Transfer Monitoring, NSLDS will alert you to any relevant changes in the transfer student's financial aid history—other than the default and overpayment information reported in the post-screening process—that may affect the student's current award(s).

As long as there is no conflicting information, you may rely on the financial aid history (provided on the ISIR as well as the NSLDS website) and the Transfer Student Monitoring process to tell you if a student is about to exceed the Direct Subsidized or Unsubsidized Loan limits.

- If you need to research the student's loan history on NSLDS, *The Federal Student Aid Handbook, Volume 3* provides more information on how to count the Aggregate Outstanding Principal Balance on a loan, and how to identify the underlying loans in a consolidation loan.
- Guides for Enrollment Reporting, Transfer Student Monitoring and other user documentation are currently posted on IFAP under "Current FSA Publications" or "Online References."
- Information on OPB and Agg OPB in NSLDS are available on IFAP in the following NSLDS Newsletters.
  - Newsletter 6 at **http://ifap.ed.gov/nsldsmaterials/attachments/Newsletter6.pdf**
  - Newsletter 9 at **http://ifap.ed.gov/nsldsmaterials/attachments/Newsletter9.pdf**
  - Newsletter 11 at **http://ifap.ed.gov/nsldsmaterials/attachments/Newsletter11.pdf**
  - Newsletter 41 at **http://ifap.ed.gov/nsldsmaterials/attachments/NSLDSNewsletter41.pdf**

  and in EA 2012-8-13 at

  http://www.ifap.ed.gov/eannouncements/081312NSLDSEnhancedFormulaForUnsubAggregateLoanLimitAmt.html

Technical assistance for NSLDS is available at: **1-800-999-8219**

Resolving negative information in NSLDS

If you can document that the student is eligible for FSA funds despite the information shown on NSLDS, you may award and disburse aid. An example would be if the NSLDS Financial Aid History page of the SAR or ISIR shows that the student has a defaulted loan, but you have obtained documentation from the holder of the loan that the borrower had made "satisfactory arrangements to repay." GEN-96-13, Q&A 37

NSLDS guides & help center

Guides for Enrollment Reporting, Transfer Student Monitoring and other user documentation are currently posted on IFAP under "*Processing Resources or NSLDS Reference Materials*."

You should also see NSLDS Newsletters 6, 9, 11, 17, and 23 on IFAP for more specific information on how the OPB and Agg OPB are calculated and displayed on NSLDS.

Annual Limits for Sub/Unsub Loans

	Subsidized	Total (subsidized & unsubsidized)
Dependent Undergraduates (excluding dependent students whose parents can't get Direct PLUS)		
First Year	$ 3,500	$ 5,500
Second Year	$ 4,500	$ 6,500
Third Year and Beyond	$ 5,500	$ 7,500
Independent Undergraduates & Dependent Students whose parents can't get Direct PLUS		
First Year	$ 3,500	$ 9,500
Second Year	$ 4,500	$ 10,500
Third Year and Beyond	$ 5,500	$ 12,500
Graduate & Professional Students (all years)	$ 0	$20,500

Note: All undergraduate annual loan amounts are subject to proration under certain conditions.

Aggregate Limits for Sub/Unsub Loans

	Subsidized	Total (subsidized & unsubsidized)
Dependent Undergraduates (excluding those whose parents can't get Direct PLUS)	$ 23,000	$31,000
Independent Undergrads & Dependent Students whose parents can't get Direct PLUS.	$ 23,000	$ 57,500
Graduate & Professional Students	$ 65,500[2]	$ 138,500[2]

See guidance later in this chapter on additional unsubsidized eligibility for students in certain health professions programs, and special loan limits for preparatory & teacher certification coursework, and the 150% subsidized eligibility limit. See the graphic *Subsidized Loan Eligibility Limitation* later in this chapter.

[1] Effective for loan periods beginning on or after July 1, 2012, graduate and professional students are no longer eligible to receive Direct Subsidized Loans.

[2] Aggregate loan limits for graduate and professional students include loans received for undergraduate study. The $65,500 subsidized aggregate loan limit shown here for graduate and professional students includes subsidized loans received for loan periods beginning before July 1, 2012, and prior subsidized loans received for undergraduate study.

ANNUAL LOAN LIMITS

Direct Loans have annual loan limits based on the borrower's dependency status and grade level. There are higher Direct Unsubsidized Loan annual loan limits for borrowers enrolled in certain health professions programs and special loan limits for certain borrowers who are not enrolled in a degree or certificate program. In some cases, the annual loan limits for undergraduate students must be prorated (reduced). The annual loan limits are the maximum amounts that a borrower may receive for an academic year. The actual loan amount that a borrower is eligible to receive may be less than the annual loan limit.

Depending on the academic calendar of the program, a borrower who has reached the annual loan limit cannot receive another Direct Loan until he or she either begins another academic year, or, in some cases, progresses within an academic year to a grade level with a higher annual loan limit.

Direct Loan limits
34 CFR 685.203

TIP

Minimum Direct Loan amount

When originating Direct Loans in the COD system, there is no minimum loan amount.

Annual Loan Limits—Basic Principles

Annual loan limits

- Direct Loans have annual loan limits.
- There is a subsidized annual loan limit for Direct Loans and a total subsidized/unsubsidized annual loan limit. The subsidized portion of the total annual loan limit may not exceed the subsidized annual loan limit.
- An undergraduate student who is ineligible for Direct Subsidized Loans may receive up to the total subsidized/unsubsidized annual loan limit in Direct Unsubsidized Loans.
- The Direct Subsidized Loan annual loan limits are the same for both dependent and independent undergraduates.
- Dependent students have lower total subsidized/unsubsidized annual loan limits than independent students; if a dependent student's parent(s) cannot get a Direct PLUS Loan, the student becomes eligible for the higher total subsidized/unsubsidized annual loan limits that apply to an independent student, allowing the dependent student to receive additional Direct Unsubsidized Loan funds.
- The annual loan limits apply to the academic year (that is, the annual loan limit is the maximum loan amount that a student may receive for one academic year).
- The student's maximum annual loan limit increases as the student progresses to higher grade levels.
- For undergraduate students, the annual loan limit must be prorated if the student is attending a program that is shorter than an academic year or is enrolled in the remaining portion of a program that is shorter than an academic year.
- For loan periods beginning July 1, 2012, graduate/professional students are no longer eligible to receive Direct Subsidized Loans.

Annual Loan Limit Progression: SAY/BBAY

- A school must use either a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY) to determine when a student is eligible for a new annual loan limit.
- An SAY generally begins/ends at the same time each year; a BBAY "floats" with the student's enrollment.
- A traditional calendar program or an SE9W program with a comparable calendar may use an SAY.
- A clock-hour or non-term program, or, a program that does not have an SAY must use a BBAY.
- In a clock-hour or non-term program, or a program with nonstandard terms that are not SE9W, the borrower must successfully complete the hours and weeks of instructional time in the FSA academic year before the borrower is eligible for a new annual loan limit.
- In a standard-term or SE9W program, it is possible for a student to advance a grade level and become eligible for a higher loan amount within an academic year.

Direct Loan limits for a dependent undergraduate borrower

Dependent undergraduate borrowers (excluding dependent undergraduates whose parents are unable to obtain Direct PLUS Loans) are eligible for an additional $2,000 in Direct Unsubsidized Loan funds each academic year. This additional eligibility is unrelated to and unaffected by the sunsetting of the ECASLA special treatment of certain loan funds for purposes of the 90/10 rule (See *The Federal Student Aid Handbook, Volume 2*). For these borrowers, the annual loan limits are:

- 3,500 combined Direct Subsidized and/or Unsubsidized plus $2,000 additional Direct Unsubsidized for dependent first-year undergraduates;
- $4,500 combined Direct Subsidized and/or Unsubsidized plus $2,000 additional Direct Unsubsidized for dependent second-year undergraduates; and
- $5,500 combined Direct Subsidized and/or Unsubsidized plus $2,000 additional Direct Unsubsidized for dependent third-, fourth-, or fifth-year undergraduates.

These loan limits represent the total of all Direct Subsidized and Direct Unsubsidized Loans a dependent undergraduate borrower may borrow at each level of study for a single academic year. For example, a dependent first-year undergraduate may receive up to $5,500 in Direct Loans for a single academic year, but no more than $3,500 of this amount may be subsidized. A dependent first-year undergraduate who has no subsidized loan eligibility could receive up to the full $5,500 in Direct Unsubsidized Loans.

Increased Direct Unsubsidized Loan limits for independent undergraduates and dependent undergraduates whose parents can't get a Direct PLUS Loan

There are higher additional unsubsidized annual loan limits for independent undergraduate borrowers. These higher additional unsubsidized loan limits also apply to dependent undergraduate borrowers whose parents are unable to borrow Direct PLUS Loans due to adverse credit or other documented exceptional circumstances.

- $3,500 combined Direct Subsidized and/or Unsubsidized plus $6,000 additional Direct Unsubsidized for independent first-year undergraduates;
- $4,500 combined Direct Subsidized/and or Unsubsidized plus $6,000 additional Direct Unsubsidized for independent second-year undergraduates; and
- $5,500 combined Direct Subsidized and/or Unsubsidized plus $7,000 additional Direct Unsubsidized for independent third-, fourth-, or fifth-year undergraduates.

Direct Subsidized Loans and Direct Unsubsidized Loans

The federal government pays the interest on a Direct Subsidized Loan during: in-school status, authorized deferment periods, and, for loans first disbursed before July 1, 2012, and after July 1, 2014, the grace period.

The student is responsible for paying the interest on a Direct Unsubsidized Loan during all periods.

Increasing the loan amount when student changes dependency status during the academic year

For any type of educational program (whether term-based or non-term, credit-hour or clock-hour), a dependent student who has already borrowed up to the annual loan limit within an academic year may be eligible to receive additional loan funds if his or her dependency status changes to independent during that same academic year.

Increased Unsubsidized Direct Loan limits for independent students and dependent students whose parents can't get Direct PLUS Loans
34 CFR 685.203(c)(1)(ii)
DCL GEN 11-07

Direct Loans for students whose parents have ended financial support and refuse to file a FAFSA

Schools may offer a dependent student a Direct Unsubsidized Loan if the student's parents have ended financial support and refuse to file a FAFSA. For more detail, see chapter 5 of the *Application and Verification Guide* and DCL GEN-08-12.

As with the loan limits for dependent undergraduates, these loan limits represent the total of all subsidized and unsubsidized Direct Loans that an independent undergraduate borrower (or a dependent undergraduate whose parent is unable to obtain a Direct PLUS Loan) may borrow at each level of study, for a single academic year. For example, an independent, first-year undergraduate may receive up to $9,500 in Direct Subsidized/Unsubsidized Loans for a single academic year, but no more than $3,500 of this amount may be subsidized.

Note that a dependent undergraduate whose parent is unable to obtain a Direct PLUS Loan is not eligible to receive both the $2,000 in additional Direct Unsubsidized Loans that is part of the annual loan limits for dependent undergraduates plus the additional $6,000 or $7,000 in Direct Unsubsidized Loan funds that is available to independent undergraduates and dependent undergraduates whose parents are unable to obtain Direct PLUS Loans.

Direct Loan limits for graduate and professional borrowers

The Budget Control Act of 2011 eliminated subsidized loan eligibility for graduate and professional borrowers for periods of enrollment (loan periods) beginning on or after July 1, 2012. The annual loan limit for graduate or professional borrowers is $20,500 in Direct Unsubsidized Loans per academic year. (See the end of this section for situations where a program combines graduate and undergraduate study or a borrower with a graduate degree is pursuing an undergraduate program.)

The regulations define a graduate/professional borrower as a borrower who is enrolled in a program or course above the baccalaureate level or in a professional program and has completed the equivalent of three academic years of full-time study either prior to entering the program or as part of the program itself. Also, a borrower who is receiving Title IV aid as an undergraduate borrower can't be considered a graduate/professional borrower for that same period of enrollment.

There are several rules to consider if a borrower is simultaneously taking undergraduate and graduate courses. A borrower in an undergraduate program can't get the graduate loan limits based on taking graduate coursework as a part of the undergraduate program. A borrower enrolled in preparatory or teacher certification coursework is considered an undergraduate borrower for purposes of annual loan limits, even if the borrower is taking preparatory coursework required for enrollment in a graduate or professional program.

Example: additional unsubsidized for independent undergraduate

Dottie is a first-year independent undergraduate student at Ferrar's Institute. Her COA is $14,500, her EFC is $1,800, and she is receiving a $2,981 Pell Grant. Dottie qualifies for a Direct Subsidized Loan of $3,500. She may also receive the maximum additional Direct Unsubsidized Loan amount of $6,000 to cover most of her unmet need. Her total loan amount in Direct Subsidized and Direct Unsubsidized Loans is $9,500. (Note that Dottie's loan eligibility would be the same if she were a dependent undergraduate whose parent was unable to obtain a Direct PLUS Loan.)

Entrance counseling requirements for Graduate/Professional Direct PLUS borrowers

For entrance counseling requirements for Graduate/Professional PLUS—see *The Federal Student Aid Handbook, Volume 2*.

Graduate/professional student lending in EDExpress for 2012–13
E-Announcement January 11, 2012

Loss of subsidized loan eligibility for graduate/professional students
GEN-11-16

Direct PLUS Loans for graduate/professional students

Direct PLUS Loans for graduate/professional students were authorized by the Higher Education Reconciliation Act of 2005, effective July 1, 2006. Previously, Direct PLUS Loans were available only to parents of dependent undergraduates. Participation in the Direct PLUS Loan program is optional for schools. However, if a school participates in the Direct PLUS Loan program it may not limit Direct PLUS Loans only to parent borrowers or only to graduate/professional student borrowers.

In contrast, a graduate student who is taking some undergraduate coursework is eligible for the graduate loan limits if the borrower is enrolled at least half-time in courses (either graduate or undergraduate) that can be applied to the graduate program requirements. However, the borrower must already be admitted into the graduate program. A borrower with a bachelor's degree who is taking preparatory work for graduate school (or whose full admission to the graduate program is contingent upon completion of certain undergraduate courses) is not eligible for graduate loan limits.

There are no fixed annual or aggregate loan limits for Direct PLUS Loans. A graduate or professional student may be awarded a Direct PLUS Loan for up to the borrower's cost of attendance minus other estimated financial assistance (see *The Federal Student Aid Handbook, Volume 3* for packaging rules). Therefore, a graduate/professional student has additional Direct PLUS eligibility beyond the maximum Direct Unsubsidized Loan limits.

Similarly, the total Direct PLUS Loan amount borrowed by one parent or borrowed separately by more than one parent on behalf of a dependent student may not exceed the student's estimated cost of attendance minus other financial aid awarded for the period of enrollment. This is the only borrowing limit for Direct PLUS Loans. For more on borrower eligibility, see *The Federal Student Aid Handbook, Volume 1*.

Increased unsubsidized eligibility for health professions borrowers

To replace loan funds that otherwise would have been available under the HEAL Program, certain health professions borrowers have increased Direct Unsubsidized Loan limits. Schools may award the increased Direct Unsubsidized Loans amounts to borrowers who are enrolled at least half-time in a health professions discipline that was eligible under the HEAL Program, or in certain naturopathic medicine programs. The program must be accredited by an approved accrediting agency (see sidebar).

The disciplines that were eligible under the HEAL Program and the approved accrediting agencies for these disciplines are shown in the loan limit chart for the increased unsubsidized amounts at the end of this section. Note that the HEAL Program required a need analysis test, while need analysis (represented by the EFC) is not required for Direct Unsubsidized Loans.

Because the increased annual Direct Unsubsidized Loan limits are intended to replace funds that would have been available previously under the HEAL Program, the annual loan limits for the increased unsubsidized amounts are the same as the HEAL Program annual loan limits.

Eligible health professions disciplines & accreditors

The following disciplines are eligible for the increased unsubsidized loan limits. (Must be accredited by the agency shown in italics.)

- Doctor of Pharmacy
  Accreditation Council for Pharmacy Education
- Graduate in Public Health
  Council on Education for Public Health
- Doctor of Chiropractic
  Council on Chiropractic Education, Commission on Accreditation
- Doctoral Degree in Clinical Psychology
  American Psychological Association, Committee on Accreditation
- Masters in Health Administration
  Commission on Accreditation of Healthcare Management Education
- Doctor of Naturopathic Medicine, Doctor of Naturopathy
  Council on Naturopathic Medical Education
- Doctor of Allopathic Medicine
  Liaison Committee on Medical Education
- Doctor of Osteopathic Medicine
  American Osteopathic Association, Bureau of Professional Education
- Doctor of Dentistry
  American Dental Association, Commission on Dental Accreditation
- Doctor of Veterinary Medicine
  American Veterinary Medical Association, Council on Education
- Doctor of Optometry
  American Optometric Association, Council on Optometric Education
- Doctor of Podiatric Medicine
  American Podiatric Medical Association, Council on Podiatric Medical Education

Example of annual loan limit

The increased unsubsidized amounts that an eligible health professions student may receive are in addition to the regular annual Direct Loan limits. For example, a student enrolled in a nine-month Doctor of Dentistry program is eligible for the regular annual Direct Unsubsidized Loan maximum for a graduate/professional student ($20,500) plus the maximum increased unsubsidized amount of $20,000, for a total annual loan limit of $40,500.

HEAL program phaseout
The Health Education Assistance Loan (HEAL) Program, administered by the Department was phased out between 1995 and 1999 .

Foreign schools not HEAL-eligible

Foreign schools were not eligible to participate in the HEAL Program. Therefore, they may not award the increased unsubsidized Direct Loan amounts.

In addition to the health professions disciplines that were eligible under the HEAL Program, domestic schools may also award additional Direct Unsubsidized Loan amounts to a borrower who is enrolled in a program that leads to a Doctor of Naturopathic Medicine (N.M.D.) degree or a Doctor of Naturopathy (N.D.) degree, and that is accredited by the Council on Naturopathic Medical Education (CNME).

The following chart shows the annual loan limits for the increased unsubsidized amounts, which vary by discipline and academic year length. The combined subsidized/unsubsidized aggregate loan limit for graduate and professional health professions borrowers who are eligible to receive the increased Direct Unsubsidized Loan amounts is $224,000 (not more than $65,500 of this amount may be in subsidized loans). If a borrower receives the additional Direct Loan amounts on the basis of study in a health profession program but then leaves that program and enters a program in a different field, the borrower is no longer eligible for the increased Direct Unsubsidized Loan limits. However, the additional Direct Unsubsidized Loan amounts received on the basis of health professions study are not counted toward the normal aggregate Direct Loan Limit for that borrower.

Increased Direct Loan Limits for Health Professions Students

Additional Unsubsidized eligibility for HEAL-eligible students

Schools may award the following additional unsubsidized loan amounts to students who are enrolled at least half-time in the following health professions disciplines:

- Graduate in Public Health; Doctor of Pharmacy or Chiropractic; Doctoral Degree in Clinical Psychology; Masters Degree in Health Administration

9-month academic year	$12,500*
12-month academic year	$16,667*

- Doctor of Dentistry, Veterinary Medicine, Optometry, Allopathic Medicine, Osteopathic Medicine, Podiatric Medicine, Naturopathic Medicine, or Naturopathy

9-month academic year	$20,000*
12-month academic year	$26,667*

Students in these programs are also eligible for a higher aggregate limit for combined subsidized/unsubsidized loans: $224,000.

* PRORATION OF ANNUAL LOAN LIMIT FOR ACADEMIC YEAR COVERING 10 OR 11 MONTHS: For programs with an academic year covering 10 or 11 months, the annual additional unsubsidized loan limit must be prorated. If the academic year covers 10 or 11 months, the prorated annual loan limit is determined by dividing the applicable loan limit for an academic year covering 9 months by 9, and then multiplying the result by 10 or 11.

See the previous page for the accreditation requirements for each of the disciplines listed above.

Annual Direct Loan Limits for Preparatory Coursework and Teacher Certification

In *The Federal Student Aid Handbook, Volume 1,* we discuss instances in which a student may receive a Direct Loan for coursework that is not part of an eligible program. If the student and the academic coursework meet the conditions described in that volume, the annual loan limits are:

Dependent Students (excluding students whose parents cannot borrow PLUS)	Base Amount Sub/Unsub	Additional Unsubsidized Loan Amount
Preparatory coursework (for enrollment in an undergraduate program)	$2,625	0
Preparatory coursework (for enrollment in a graduate or professional program)	$5,500	0
Teacher certification coursework	$5,500	0

Independent Students and dependent students whose parents cannot get PLUS)	Base Amount Sub/Unsub	Additional Unsubsidized Loan Amount
Preparatory coursework (for enrollment in an undergraduate program)	$2,625	$6,000
Preparatory coursework (for enrollment in a graduate or professional program)	$5,500	$7,000
Teacher certification coursework	$5,500	$7,000

NEW

Subsidized Loan Eligibility Limitation

A “first- time borrower” (an individual who has no outstanding balance of principal or interest on a loan made under the Direct Loan Program or the FFEL Program on July 1, 2013, or on the date the borrower obtains a Direct Loan after July 1, 2013) is not eligible for a Direct Subsidized Loan if the period of time for which the borrower has received Direct Subsidized Loans, in the aggregate, exceeds 150 percent of the published length of the borrower’s educational program. Such a borrower may still receive any Direct Unsubsidized Loan for which the borrower is otherwise eligible.

HEA Sec. 455(q)
34 CFR 685.200(a)(2)(i)(B)
34 CFR 685.200(f)
DCL GEN-13-13
FR 78, No. 95, May 16, 2013

Criteria for Additional Direct Unsubsidized Loans

Dependent students whose parents are unable to get Direct PLUS Loans due to adverse credit or other exceptional circumstances may receive additional Direct Unsubsidized Loan funds up to the same amount that is available to independent undergraduate students. The increased loan amounts may not substitute entirely for the amount a parent may borrow under the Direct PLUS program, which may be up to the difference between COA and EFA. As a result, you should determine whether the parents may be able to get a Direct PLUS Loan using an endorser who does not have an adverse credit history before originating additional unsubsidized loan amounts for the dependent student.

Some basic guidelines for awarding additional Direct Unsubsidized Loan funds to dependent undergraduates include:

- The parent's unwillingness to seek a Direct PLUS Loan, a school's decision not to participate in the Direct PLUS Loan Program, or an aid administrator's belief that a parent should not receive a Direct PLUS Loan does not make the dependent student eligible.
- If only one of a student's two parents has applied for a Direct PLUS Loan and been denied based on adverse credit, you may award additional Direct Unsubsidized Loan funds on that basis. However, if both parents apply independently and one is approved and the other denied, the dependent student is not eligible for the increased unsubsidized loan amounts.
- The dependent student may become eligible at any time during an academic year if a parent has first been approved and then later denied a Direct PLUS Loan based on a subsequent application. Under these circumstances, any previous Direct PLUS Loan funds received during the same period of enrollment are treated as estimated financial assistance in determining the student's remaining eligibility for additional unsubsidized loan amounts.

In addition to cases in which a parent has been denied a Direct PLUS Loan due to adverse credit, a dependent undergraduate student may also be eligible for increased unsubsidized loan amounts if you determine and document that other exceptional circumstances exist that will prevent a parent from obtaining a Direct PLUS Loan. Examples of such exceptional circumstances include, but are not limited to, the following:

- The parent is incarcerated.
- The parent's whereabouts are unknown.
- The parent has filed for bankruptcy and has provided a letter from the bankruptcy court stating that as a condition of the bankruptcy filing, the parent may not incur any additional debt.
- The parent's income is limited to public assistance or disability benefits, and you have documented that the parent would not be able to repay the Direct PLUS Loan.
- You have examined the family financial information and documented the parent's likely inability to repay the Direct PLUS Loan due to an existing debt burden or the parent's expected income-to-debt ratio.
- The parent of a dependent student is not a U.S. citizen or permanent resident or is not able to provide evidence from the U.S. Citizenship and Immigration Service that he or she is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident.

Before originating a loan for the increased Direct Unsubsidized Loan amounts based on parents ineligibility for a Direct PLUS Loan due to adverse credit or other exceptional circumstances, you must document the basis of the dependent student's eligibility.

A determination that a parent is ineligible for a Direct PLUS Loan in one academic year based on adverse credit or other exceptional circumstances does not automatically support the dependent student's additional unsubsidized loan eligibility in subsequent years. If a dependent student is determined to be eligible for additional unsubsidized loan amounts in one academic year, you must re-examine and document that the basis for the student's eligibility continues to apply before originating additional unsubsidized loan amounts for the dependent in a subsequent year.

Graduate vs. Undergraduate Limits—Special Cases

As noted in an earlier comment, students taking preparatory coursework or teacher certification coursework are considered to be undergraduates.

- ***Combined undergraduate/graduate programs***

Some programs combine undergraduate and graduate study, where the first years of the program are undergraduate study and the final years of the program are graduate study. For instance, in a 5-year program leading to a graduate or professional degree, the school may define the first 3 or 4 years of study as being at the undergraduate level.

- ***Students returning for second baccalaureate degree***

If a student with a baccalaureate degree enrolls in another baccalaureate program, his/her grade level for loan limit purposes would be based on the amount of work that the school counts toward satisfying the requirements of the new program. For instance, if your school accepts 30 semester hours of a student's work in a previous baccalaureate program toward the requirements for a BS in Chemistry at your school and on that basis classifies the student at the second-year level, then the student would be eligible for second-year undergraduate loan limits. (See below for the loan limit that applies when a student is required to have a prior associate's or baccalaureate degree as condition for being admitted to an undergraduate program.)

- ***Transfer from graduate to undergraduate program during an academic year***

If a student transfers from a graduate program to an undergraduate program in the middle of an academic year, the undergraduate annual loan limit for the student's grade level applies, but amounts previously borrowed at the graduate level within the same academic year do not count against the undergraduate annual loan limit. However, the total amount awarded for the academic year may not exceed the higher (grad/professional) annual loan limit.

- ***Baccalaureate or associate degree required for admission to an undergraduate program***

A student who has an associate or baccalaureate degree that is required for admission into an undergraduate program may borrow up to the highest undergraduate annual loan limit ($5,500 for a dependent student; additional $7,000 in unsubsidized Direct Loans for an independent student or a dependent student whose parent is not eligible for a Direct PLUS Loan), subject to the undergraduate aggregate loan limits.

- ***Undergraduate student with graduate degree***

In some cases, a student who previously received undergraduate and graduate degrees returns to school to complete a second undergraduate program. Only the loans that the student received for the first undergraduate program are included in determining the student's remaining eligibility for loans for the second undergraduate program, up to the undergraduate aggregate limits.

Although loans received for graduate study are not counted toward a student's undergraduate aggregate loan limit, the combined loan amounts received for undergraduate and graduate programs may not exceed the total allowable aggregate loan limits. (See example below.)

Example: Graduate Student Returning to Undergraduate Program

An independent student has received the following loan amounts for a first undergraduate program and a graduate program:

	Subsidized:	*Unsubsidized:*	*Total*
Undergraduate	$20,500	$10,000	$30,500
Graduate[1]	$45,000	$40,000	$85,000
Total	$65,500	$50,000	$115,500

The student has now enrolled in a second undergraduate program. Only the loans received for the first undergraduate program are counted toward the student's undergraduate aggregate loan limit. Because the total amount received for the first undergraduate program ($30,500) does not exceed the aggregate loan limit for an independent undergraduate ($57,500, maximum $23,000 subsidized), the student has remaining loan eligibility for the second undergraduate program.

However, the loans received for the graduate program must still be considered to ensure that the student does not exceed the total aggregate loan limits. In this case, the total subsidized amount already received ($65,500) is the maximum subsidized amount that a student may receive for undergraduate and graduate study combined. Therefore, the student may receive only unsubsidized loans for the second undergraduate program. The student may not exceed the combined undergraduate/graduate aggregate loan limit of $138,500. This means that the student's remaining loan eligibility for the second undergraduate program is $23,000 in unsubsidized loans ($138,500 - $115,500 already received for the first undergraduate program and the graduate program).

[1] This example assumes that the student received the $45,000 in subsidized loans for graduate study for periods of enrollment that began before July 1, 2012.

Academic Year
See *The Federal Student Aid Handbook, Volume 3* for a discussion of academic year requirements.

Standard Terms
Standard terms are semesters, trimesters, or quarters. See *The Federal Student Aid Handbook, Volume 3* for more detail on standard terms.
34 CFR 668.4

Alternating SAY/BBAY 1

This treatment may allow a student to receive another loan sooner than would be allowed under an SAY standard. For instance, if you normally use an SAY consisting of fall and spring semesters with a summer trailer, a student who received the maximum annual loan limit for fall-spring could not receive another loan until the start of a new SAY in the fall. If the student enrolls for summer and wants a loan, you could choose to switch the student to a BBAY consisting of the summer and fall terms. The student could then receive a loan for the summer term, since summer would be the start of a new academic year. A school that has these choices for academic year standards must have a written policy that explains how it applies these options when calculating loan eligibility.

Treatment of summer minisessions

Summer minisessions must be grouped together as a single trailer or header term if the program is to have a BBAY, or they can be treated separately and assigned to different SAYs. (See *The Federal Student Aid Handbook, Volume 3* for treatment of minisessions as payment periods and in determining Pell payments.) If the summer minisessions are grouped and treated as a single term, the summer cost of attendance cannot include costs for a minisession for which the student is not expected to be enrolled.

ANNUAL LOAN LIMIT PROGRESSION

Academic year and loan limits

The annual loan limits for Direct Subsidized/Unsubsidized Loans apply to the academic year. (The award year concept for Pell and the Campus-Based Programs is not a factor for Direct Subsidized/ Unsubsidized and Direct PLUS Loans.) The loan period is often equivalent to an academic year, but there are also many situations where this is not the case. (If you are not familiar with the definition of an academic year, see *The Federal Student Aid Handbook, Volume 3*.)

Two types of academic years for annual loan limits

Scheduled academic year (SAY) and borrower-based academic year (BBAY)

There are two types of academic years that may be used to monitor annual loan limits for Direct Subsidized/Unsubsidized Loans: a Scheduled Academic Year (SAY) or a Borrower-Based Academic Year (BBAY). (Note that although there is no annual loan limit for Direct PLUS Loans, Direct PLUS Loans are awarded for the same SAY or BBAY period that is used for Direct Subsidized/Unsubsidized Loans.)

An SAY corresponds to a traditional academic year calendar published in a school's catalogue or other materials (for example, fall and spring semesters, or fall, winter, and spring quarters, or, for a nonstandard SE9W program, an academic calendar comparable to a traditional academic calendar). An SAY is a fixed period of time that begins and ends at the same time each year.

A BBAY does not have a fixed beginning and ending. Instead, it "floats" with a borrower's (or group of borrowers') attendance and progression in a program of study. There are three different types of BBAY as described in the chart that follows.

If a program is offered in an SAY calendar, you have the option of using either an SAY or BBAY 1 to monitor the annual loan limits for borrowers in that program. You must use a BBAY to monitor the annual loan limits for any academic program that does not meet the definition of a program allowed to use an SAY. However, there are significant differences between the different types of BBAY:

- *BBAY 1*, for credit-hour programs using an SAY with standard terms or nonstandard SE9W terms.
- *BBAY 2*, for credit-hour programs not using an SAY, with standard terms or nonstandard SE9W terms.
- *BBAY 3*, for clock-hour programs, non-term programs, and any nonstandard-term program, or a program with standard and nonstandard terms, not described above.

Monitoring Annual Loan Limits with an SAY or BBAY

<table>
<tr><th colspan="2">Credit-hour programs offered in a Scheduled Academic Year (SAY)
An SAY uses 1) a traditional academic calendar with at least two semesters or trimesters or three quarters in the fall through spring, or 2) a comparable academic calendar with nonstandard SE9W terms.</th><th>Credit-hour programs not offered in a Scheduled Academic Year, but with 1) standard terms, or 2) nonstandard SE9W terms</th><th>Clock-hour programs, non-term programs, and programs with nonstandard terms that are not SE9W</th></tr>
<tr><th>May use SAY</th><th>May use BBAY 1</th><th>Must use BBAY 2</th><th>Must use BBAY3</th></tr>
<tr>
<td>1) An SAY generally begins/ends at same time each year.
2) The student does not have to be enrolled in the first term of the SAY.
3) An SAY for a program must at least meet the program's FSA academic year in weeks/hours.
4) Total of all loans received within SAY (including summer trailer/header) may not exceed annual loan limit
5) Student becomes eligible for new annual loan limit after SAY calendar period has elapsed.
6) After original loan, student may receive additional loans during same SAY if:
• Student did not receive maximum annual loan amount and has remaining eligibility;
• Student progresses to grade level with higher annual loan limit; or
• Student changes from dependent to independent.
7) Summer term may be "trailer" or "header" per:
• Strict policy;
• By program; or
• Case-by-case, by student</td>
<td>May use BBAY 1 for all students; certain students; or certain programs
May alternate SAY and BBAY1 for a student provided academic years do not overlap
1) BBAY1 "floats" with the student's enrollment.
2) Student must be enrolled in first term of the BBAY1 (less-than-1/2-time enrollment is acceptable).
3) Length of BBAY1 must equal the number of terms in the program's SAY, excluding the summer trailer/header.
• Number of hours/weeks in BBAY1 need not meet the regulatory requirements for an academic year if the BBAY1 includes summer term.
• May include terms student does not attend if student could have enrolled at least 1/2 time.
4) Total of all loans received within BBAY1 may not exceed annual loan limit.
5) Student becomes eligible for new annual loan limit after BBAY1 calendar period has elapsed.
6) After original loan, student may receive additional loans during same BBAY1 if:
• Student did not receive maximum annual loan amount and has remaining eligibility;
• Student progresses to grade level with higher annual loan limit; or
• Student changes from dependent to independent
7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard or nonstandard term (affects all FSA programs)
• Student need not enroll in each minisession, but must have been able to enroll at least ½-time in the combined term.</td>
<td>1) BBAY2 floats with student's enrollment.
2) Student must be enrolled in first term of the BBAY2 (less-than-half-time enrollment is acceptable). The BBAY2 may include terms student does not attend if student could have enrolled at least half-time.
3) The BBAY2 must meet at least the minimum requirements for hours/weeks of the program's FSA academic year, and it must consist of:
• at least 2 consecutive semesters or trimesters;
• at least 3 consecutive quarters; or
• at least the number of consecutive SE9W terms covered by the program's FSA academic year.
4) Total of all loans received within a BBAY2 may not exceed annual loan limit.
5) Student becomes eligible for new annual loan limit after BBAY2 calendar period has elapsed.
6) After original loan, student may receive additional loans during same BBAY2 if:
• Student did not receive maximum annual loan amount and has remaining eligibility;
• Student progresses to grade level with higher annual loan limit; or
• Student changes from dependent to independent.
7) Minisessions (summer or otherwise) must be combined with each other or with other terms and treated as a single standard term (affects all FSA programs)
• Student need not enroll in each minisession but must have been able to enroll at least 1/2-time in the combined term.</td>
<td>BBAY3 also applies to programs that mix nonstandard terms and standard terms that do not have an SAY
1) BBAY3 floats with student's enrollment.
2) The BBAY3 begins with student's enrollment on at least a half-time basis.
3) BBAY3 must meet at least the minimum requirements for hours/weeks of the program's FSA academic year.
4) Total of all loans received within a BBAY3 may not exceed annual loan limit.
5a) Student becomes eligible for new annual loan limit only after successfully completing the clock or credit- hours AND weeks of instructional time in the BBAY3.
5b) A student may not become eligible for next grade level annual loan limits until after completion of a BBAY3.
6) After original loan, student may receive additional loans within BBAY3 only if:
• Student did not receive maximum annual loan amount and has remaining eligibility; or
• Student changes from dependent to independent.</td>
</tr>
</table>

SAY for Standard Term, Credit-Hour Programs Using a Traditional Academic Year Calendar

Springfield Academy offers a 2-year program measured in semesters and awarding credit hours. It defines its FSA academic year in accordance with the minimum requirements and uses an SAY that provides 30 weeks of instruction and 24 semester hours, and includes two semesters (fall and spring), each 15 weeks of instructional time in length. Springfield Academy also offers a summer session that it treats as a "trailer" to the SAY.

Most of Springfield's students do not attend the summer session, so the aid office typically originates Direct Loans for a period of enrollment that starts with the fall semester (August 27) and concludes at the end of the spring semester (May 2). However, there are some first-year students who decide to enroll in the summer term in order to complete their studies sooner. The annual loan limit applies to the fall through spring SAY, plus the summer trailer. Students who receive the maximum annual loan amount for fall-spring have no loan eligibility for summer and may not borrow again until the start of the next SAY in the fall, unless Springfield opts to place them in a BBAY beginning with the summer term.

Fall Semester	Spring Semester	Summer Term
Year 1: Scheduled Academic Year		

Fall Semester	Spring Semester	Summer Term
Year 2: Scheduled Academic Year		

Academic Year for loan limit purposes = 2 semesters + summer trailer

Standard Term, Credit-Hour Programs Using a Traditional Academic Year Calendar—BBAY 1

1. BBAY where SAY contains 2 semesters

Examples 1a through 1c illustrate the optional use of a BBAY for a program that is offered in an SAY consisting of two semesters, fall and spring, each 15 weeks of instructional time in length. (Note that in each example, the first BBAY is the same as the SAY.)

In example 1a, the initial fall and spring terms could be considered either an SAY or BBAY. If the student attends the summer session at the school, the aid administrator can elect to treat the summer term and the next fall as a BBAY for the student. In that case, the following spring and summer would also constitute a BBAY. The maximum loan limit for an academic year applies to each BBAY. If these were the first three years of study for a dependent student and the student progressed a grade level each academic year, he/she would be eligible for up to the applicable annual loan limits for the respective academic years.

1a.

Fall	Spring	Summer	Fall	Spring	Summer
Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY	

A student doesn't have to attend all of the terms in a BBAY, but the BBAY cannot begin with a term that the student doesn't attend. In example 1b, the student is not enrolled in the second term (fall) of year 2.

In example 1c, if the student does not attend a term that otherwise would have been the beginning of a BBAY (in this case, spring), then the student's next BBAY cannot begin until the next term that the student attends. As with example 1a, the annual loan limit applies to each BBAY.

1b.

Fall	Spring	Summer	Fall (not enrolled)	Spring	Summer
Year 1: SAY or BBAY		Year 2: BBAY		Year 3: BBAY	

1c.

Fall	Spring	Summer	Fall	Spring (not enrolled)	Summer	Fall
Year 1: SAY or BBAY		Year 2: BBAY			Year 3: BBAY	

2. BBAY where SAY contains 3 quarters

The same concepts apply to quarter-term programs. For instance, in example 2, the fall, winter, and spring terms constitute the school's SAY. If the student attends the summer session at the school, it can be the first term of a BBAY that includes the following fall and winter terms

Fall	Winter	Spring	Summer	Fall	Winter
Year 1: SAY or BBAY			Year 2: BBAY		

Nonstandard "SE9W" Terms

If a credit-hour program has nonstandard terms, the terms are substantially equal in length, and each term is at least 9 weeks of instructional time in length, then the terms, for annual loan limit progression purposes, are referred to throughout this chapter as "SE9W."

The length of terms is measured in weeks of instructional time, as defined in *The Federal Student Aid Handbook, Volume 3*. Nonstandard terms are substantially equal if no term in the loan period is more than 2 weeks of instructional time longer than any other term in that loan period.

A nonstandard program with SE9W terms may use an SAY if it has a fixed academic calendar comparable to a traditional academic calendar (i.e., terms that start at about the same time each year, where 2 or more nonstandard terms normally make up the academic year in the fall through spring).

SE9W SAY Example

Great Plains Business College has programs with an academic calendar using semester hours with four terms, each with 12 weeks of instructional time in length, with three of the terms offered over the fall through spring and the fourth term offered in the summer. Great Plains defines its academic year as 36 weeks of instructional time and 24 semester hours. As "quarters" using semester hours, the terms are nonstandard terms.

Because these nonstandard terms are substantially equal and at least nine weeks of instructional time in length (SE9W), and are offered in a fixed schedule that encompasses the FSA academic year (plus the summer term),with an academic calendar comparable to a traditional calendar, the school may use an SAY or BBAY 1 for these programs.

Credit-hour programs with traditional calendars using standard terms or nonstandard terms that are substantially equal in length and at least nine weeks long (SE9W) may use SAY

As noted previously, an SAY corresponds to a traditional academic year calendar, and usually begins and ends at the same time each calendar year (for example, beginning on the first day of the fall semester and ending on the last day of the spring semester). An SAY must meet the FSA requirements for an academic year (the latter as described in *The Federal Student Aid Handbook, Volume* 3). An SAY may include one or more terms that a borrower does not attend.

Summer terms are generally not considered to be part of the SAY, but for loan limit purposes, they may be treated as a "trailer" to the preceding SAY or as a "header" to the following SAY. Your school has the option to establish a policy that designates its summer term as either a trailer or header to the SAY for all borrowers. You can also choose to make different designations for different educational programs, or for different borrowers, as long as you ensure that there is no overlap in academic years. Note that a fixed designation of the summer term can limit a borrower's eligibility. For instance, if you always treat your summer term as a trailer to a preceding fall-spring SAY, a borrower who receives the full annual loan limit for fall-spring would have no remaining loan eligibility for summer.

The annual loan limit applies to the SAY, plus the summer trailer or header. Once the calendar period associated with all of the terms in the SAY and the summer header or trailer (if any) has elapsed, a borrower regains eligibility for a new annual loan limit.

Credit-hour programs with an SAY— BBAY 1

If a program is offered in a SAY, you have the option of using a BBAY as an alternative to the SAY for monitoring annual loan limit progression. Unlike an SAY, a BBAY is not a fixed period that begins and ends at the same time each year. Instead, a BBAY's beginning and ending dates depend on the individual borrower's enrollment.

For programs with an SAY, a BBAY must include the same number of terms as the SAY that would otherwise be used (not including any summer "trailer" or "header"). For example, if the SAY includes three quarters (fall, winter, spring), a BBAY would consist of any three consecutive terms. A BBAY may include terms the borrower does not attend if the borrower could have enrolled **at least half-time** in those terms, but (unlike an SAY) it must begin with a term in which the borrower is actually enrolled (even though the borrower may be enrolled less-than-half-time for the first term and not eligible for a loan for that term). Also, any minisessions (summer or otherwise) that run consecutively within a term **must** be combined and treated as a single term.

Like an SAY, a BBAY must meet the minimum FSA requirements for an academic year. However, a BBAY that includes a summer term may include fewer than 30 weeks of instructional time or fewer credit hours than the minimum number required for an SAY. This is because a summer term may be shorter than a standard term in an SAY, but is recognized as academically equivalent to a standard term when used as one of the terms in a BBAY. (NOTE: This exception applies only to a BBAY used as an alternative for a program with an SAY.)

You may use BBAYs for all borrowers, only for borrowers in certain programs, or on a borrower-by-borrower basis. For example, you could use a BBAY for borrowers enrolled in a program that begins in a term other than the first term of the SAY. You can even alternate BBAYs and SAYs for a borrower, provided the academic years don't overlap. This treatment may allow a borrower to receive another loan sooner than would be allowed under an SAY standard.

As with an SAY, the annual loan limit applies to the BBAY. Once the calendar period associated with all of the terms in the BBAY has elapsed, a borrower regains eligibility for a new annual loan limit.

Standard-term programs and nonstandard term SE9W programs without a SAY—BBAY 2

If a program with standard terms or nonstandard SE9W terms is not offered in a traditional academic year calendar (SAY), a BBAY **must** be used. If the program uses semesters or trimesters, a BBAY generally consists of any two consecutive terms (similarly, with quarters, any three consecutive terms). If the program uses SE9W nonstandard terms, a BBAY consists of the number of consecutive terms that coincide with the weeks of instructional time in the program's academic year.

As with the optional BBAY that may be used for programs with an SAY, the BBAY may include terms that a borrower does not attend (as long as the borrower could have enrolled at least half-time in those terms), but it must begin with a term in which the borrower is actually enrolled (even though the borrower may be enrolled less-than-full-time for the first term and not eligible for a loan for that term). Unlike the optional BBAY for programs offered in an SAY, there is no exception to the minimum FSA academic year requirements for a BBAY that includes a summer term: the BBAY for standard-term programs that are not offered in a traditional academic calendar, or a comparable calendar if SE9W nonstandard terms, must always include enough terms to meet the minimum FSA academic year requirements for weeks of instructional time.

The annual loan limit applies to the BBAY. Once the calendar period associated with all of the terms in the BBAY has elapsed, a borrower regains eligibility for a new annual loan limit.

Individualizing academic progress in BBAYs

In many clock-hour, non-term, and nonstandard-term programs, students are allowed to progress at an individual pace. For example, a school that defines its academic year as 900 clock hours and 26 weeks of instructional time offers a 900 clock-hour program that most students complete in 26 weeks. However, one student might complete 900 clock hours in 22 weeks and another in 30 weeks. You do not have to prorate the loan limit for the occasional student who completes the program in less than 26 weeks. (Note that this policy applies only to programs that are exactly one academic year in length. If a program is longer than an academic year, proration may be required for a loan covering the remaining portion of the program if a student completes more than the minimum number of hours during the first 26 weeks of instructional time. See loan limit proration example 3 later in this chapter).

Standard Term, Credit-Hour Programs Not Using a Traditional Academic Year Calendar—BBAY 2

Springfield Academy also has a program that measures academic progress in credit-hours and uses 15-week semesters, but is not offered in a traditional academic year calendar (SAY). New students begin the program each month, and a 15-week semester begins at that time for that cohort of students. The school must use a BBAY to monitor annual loan limits. A BBAY consists of any two consecutive semesters, beginning with a semester in which a student is enrolled:

Semester #1 (begins program)	Semester #2	Semester #3	Semester #4 (not enrolled)	Semester #5	Semester #6
Year 1: BBAY		Year 2: BBAY		Year 3: BBAY	

Clock-hour, non-term credit-hour, and nonstandard-term programs that are not SE9W—BBAY 3

All clock-hour programs, non-term credit-hour programs, and nonstandard-term programs with terms that are not SE9W must use a BBAY that meets the minimum requirements for an academic year. That is, the BBAY must contain at least 30 (or, for clock-hour programs, 26) weeks of instructional time and at least the minimum number of credit or clock-hours: for undergraduate programs, 24 semester or trimester hours, 36 quarter-hours, or 900 clock-hours; for graduate programs, the number of hours a borrower would complete under the school's full-time standard in the weeks of the FSA academic year, which must be a minimum of 30 weeks of instructional time, or, for clock-hour programs, at least 26 weeks of instructional time. This requirement also applies to a program that consists of both standard and nonstandard terms and that does not qualify to use an SAY.

The BBAY begins when a borrower enrolls and does not end until the later of the date the borrower successfully completes the hours in the academic year or the number of weeks of instructional time in the academic year.

Because a borrower must successfully complete the minimum number of hours or weeks of instructional time in an academic year (whichever comes later) before a new BBAY begins, a borrower's enrollment status may affect how soon the borrower regains eligibility for a new annual loan limit. For example, a borrower who is attending part-time will take longer to complete a BBAY than a full-time borrower. In contrast, an SAY or BBAY for a standard term program, or a nonstandard SE9W program ends when the calendar period associated with the terms in the SAY or BBAY has elapsed, regardless of how many credit-hours or weeks of instruction the borrower completed during the SAY or BBAY.

BBAY 3 and programs with standard terms

If a program has standard terms and nonstandard terms and does not qualify to use an SAY, the program must use BBAY 3.

One common example is a program with a 4-1-4 calendar where the winter intersession is not combined with either the fall or spring semester (it is not permissible to ignore a student's enrollment in a winter intersession).

Another common example is a degree-completion program with 20-week nonstandard terms where students must also attend regular semesters to complete their degree (these programs can affect all degree-seeking students at an institution, depending on how they are structured).

Clock-Hour, Non-term, and Nonstandard-Term Programs (Other Than SE9W Programs)—BBAY 3

Example 1: Non-term credit-hour program

A school offers a 48 semester-hour, 60 weeks of instructional time program with a defined academic year of 24 semester hours and 30 weeks of instructional time. A student could receive two loans for this program. The period of enrollment for the first loan would be the time needed for a student to successfully complete the first 24 hours and 30 weeks of instructional time. The period of enrollment for the second loan would be the time needed to complete the remaining hours and weeks of instructional time of the program.

A student does not become eligible for the second loan until the date that he/she successfully completes (passes) both 24 semester hours and 30 weeks of instructional time.

Example 2: Nonstandard term, credit hour program, terms not substantially equal in length

A school offers a 72 quarter-hour program with 60 weeks of instructional time and a defined academic year of 36 quarter-hours and 30 weeks of instructional time. Courses are offered in 2-week and 5-week terms. A student could receive two loans, one for the period in which the student successfully completes the first 36 hours and 30 weeks, and another for the remaining hours and weeks of the program.

Although this program uses terms and measures academic progress in credit hours, the terms are nonstandard terms that are not substantially equal in length. A student does not become eligible for the second loan until he or she has completed 36 quarter hours or 30 weeks of instructional time, whichever comes later, regardless of the number of terms that have elapsed. For instance, a student who successfully completes (passes) 33 quarter hours in the first 30 weeks of instructional time must complete an additional three quarter hours before receiving the second loan. A school would originate a loan through the term in which the student is expected to complete the hours and weeks of instructional time of the academic year.

Example 3: Clock-hour Program

Springfield Academy has an 1,800 clock-hour program with 52 weeks of instructional time, and defines its academic year as 900 clock-hours and 26 weeks of instructional time. The initial BBAY always begins with the student's actual enrollment date. An enrolling student may receive two Direct Loans during the program (provided all eligibility criteria are met) because the program exceeds one academic year. The period of enrollment for the first loan would be the time it will take the student to successfully complete (pass) 900 clock-hours and 26 weeks of instructional time. The period for the second loan would be the time it takes to successfully complete the final 900 hours and 26 weeks of instructional time. Note that the student cannot receive the second loan until he/she has successfully completed the first 900 hours of the program or 26 weeks of instruction, whichever comes later.

A student who completes the first 900 hours in less than 26 weeks must still complete 26 weeks of instructional time before a new BBAY begins and the student becomes eligible to receive another loan. In this case, the second loan period would be for the clock hours remaining and the weeks of instructional time to complete those hours. Similarly, a student who has completed fewer than 900 clock hours after 26 weeks of instructional time must successfully complete 900 hours before receiving another loan.

GRADE LEVEL PROGRESSION

The annual loan limit for Direct Subsidized/Unsubsidized Loans increases as a student progresses in his/her studies. Generally, a student's grade level for loan limit purposes is set according to the school's academic standards. Progression to a higher grade level does not always coincide with the beginning of a new academic year. For example, a borrower in a standard term program (or a borrower in a program using nonstandard, substantially equal-terms of 9 or more weeks [SE9W]) who completes only 12 semester hours during the first academic year could receive another loan when the calendar period associated with that academic year has elapsed. However, the borrower would still be classified as a first-year undergraduate at the start of the second academic year.

Grade level progression within the same academic year

In standard term programs or nonstandard SE9W programs, a borrower who has already borrowed up to the annual limit within an academic year can receive additional loan funds if the borrower progresses to a grade level with a higher annual loan limit during that same academic year.

For instance, if a dependent borrower was classified as a 2nd-year undergraduate in the fall semester, he/she might have received a first disbursement of up to $3,250 in Direct Subsidized/Unsubsidized Loan funds for a fall-spring loan. If the borrower achieved 3rd-year academic status based on the coursework completed in the fall semester, the borrower would now be eligible for the $7,500 annual limit that applies to 3rd year and beyond dependent undergraduates. If the borrower had sufficient financial need, you could disburse the difference between the amount the borrower already received and the new annual limit in the spring term ($7,500 minus $3,250 = $4,250).

In all cases, the borrower may borrow the difference between the amount already borrowed within the academic year and the borrower's new loan limit. Usually, the increase in the loan amount can be made as an adjustment to the borrower's existing loan rather than making a new loan. For a clock-hour program, non-term program, or nonstandard-term program that is not SE9W, the borrower will never progress to a higher grade level within an academic year. In a clock-hour program, non-term program, or nonstandard-term program that is not SE9W that is longer than an academic year, the borrower moves to a higher grade level only when he or she completes the credit or clock hours and weeks of instructional time in the BBAY.

Issues with grade-level progression

The Federal Student Aid Handbook, Volume 3 provides further guidance on the following issues:

- The grade level for a transfer student is based on the academic credits your school accepts from the previous school. (However, if an associate's or bachelor's degree is required for entry into an undergraduate program at your school, you must use the 3rd-year loan limits for the student.)
- A student may receive more than one loan at the same grade level, provided he/she is making satisfactory academic progress. A school may not have a policy that sets a fixed limit on the number of loans that can be received at a grade level. For example, a school may not have a policy stating that a student in a 4-year program can never receive more than one full annual loan limit at the 1st-year level.
- To count remedial coursework, the school's official written policy must explicitly state that remedial coursework can be counted towards the student's grade level progression.
- Although the Eligibility and Certification Approval Report (ECAR) lists programs that are less than 2 years but more than 1 year in length as "1-year programs," students who have successfully completed the first year of these programs may borrow at the 2nd-year undergraduate annual loan limits.
- A school may not link two stand-alone 1-year programs to make students in one of the programs eligible for 2nd-year loan limits.
- In a 5-year program leading to a graduate or professional degree, a school may define the first 3 or 4 years as being at an undergraduate level, with the remaining years at the graduate level.

Increasing the Loan When Grade Level Changes During Academic Year

The best method for increasing the amount of an existing loan may depend on your school's software. Here are two commonly used methods:

1. Originate a new loan at the new grade level for the applicable amount (the difference between the new loan limit and the amount of the first loan). The loan period for the new loan must correspond to the term(s) during which the student qualifies for the higher loan limit (that is, it may not include a prior term when the student was classified at a lower grade level). You could also choose to cancel any pending disbursements of the first loan and originate a new loan for an amount equal to the canceled disbursements of the first loan plus the additional amount for which the student is eligible due to the grade level change.

2. Adjust the amount of the current loan. Change the grade level in the loan record and increase the amount of the existing loan to the new amount.

With either option, the student's remaining loan eligibility must be calculated using only the costs and estimated financial assistance for the term(s) during which the student qualifies for the higher loan limit.

Grade level progression: clock-hour, non-term credit-hour, and other non-term programs

In contrast, progression to a higher grade level and the beginning of a new academic year for loan limit purposes always happen at the same time for a borrower in a clock-hour program, non-term program, or nonstandard-term program in which the terms are not substantially equal in length or one or more terms have less than nine weeks of instructional time. In order to advance to the next grade level in such a program, for annual loan limit purposes, a borrower must successfully complete both the weeks and hours in the program's FSA academic year, i.e., at least 30 weeks of instructional time (or, for clock-hour programs, at least 26 weeks) and the credit or clock hours in the academic year, whichever comes later. For instance, a first-year borrower in a 2-year non-term program who earns 36 quarter-credits over 24 weeks of instructional time cannot progress to the next grade level until another 6 weeks of instructional time are completed (the point at which the loan period for that academic year will be completed).

If a program can normally be completed in one year of full-time study, a borrower in that program can never receive more than the first-year annual loan limit in any given year, no matter how long it takes the borrower to finish. Similarly, a borrower in a two-year program can never receive more than the 2nd-year annual loan limit for an academic year.

Grade level progression

While the law defines minimum coursework for an academic year, it doesn't define how much coursework a student must complete to progress from one grade level to another. Unless a student's program of study or a school's academic standards clearly specify when this grade-level progression takes place, a reasonable approach would be to base grade levels on the number of credits required for the program, divided by the number of academic years it takes a typical student to earn that number of credits. For instance, if your school has a baccalaureate program that requires 120 semester hours of work and is typically completed in four academic years, then you might use a standard of 30 hours completed at each grade level.

New annual amount for same grade level

For both standard-term programs and SE9W programs, if a borrower is enrolled at the same grade level after a full academic year has elapsed, the borrower may be eligible for a new annual maximum amount. For instance, if the borrower maintains satisfactory academic progress, he or she could conceivably receive two Direct Loans at the maximum annual loan limit for a first-year undergraduate while completing the first year of the program.

If the borrower is maintaining satisfactory academic progress, your school is not permitted to have a general policy that limits the number of times the borrower can receive the maximum annual loan limit at one grade level.

Transfers and grade level

If you're awarding a Direct Loan to a borrower who is transferring from a program at another school to a program at your school that is greater than one academic year in length, you may use the loan limits for a borrower in the 2nd-year or higher level of study if your school classifies the borrower at that level based on the number of academic credits it accepts from the prior school, or based on the granting of advance standing in the new program. Note, however, that if an associate or bachelor's degree is required for entry into a program at your school, you must use the 3rd-year loan limits for a borrower who transfers to that program.

Note that the "Eligibility and Certification Approval Report" (ECAR) lists "one-year" as the highest educational program offered by the school if its longest program is one year or more but less than two years in length. Borrowers in such programs can be paid as 2nd year borrowers even though the ECAR lists the school's highest offering as "one-year." For instance, if a borrower is enrolled in a 1,500-hour program, he/she would be eligible for the 2nd-year loan limits after completing 900 clock-hours and 30 weeks of instruction (or, for clock-hour programs, at least 26 weeks). However, the loan limit would have to be prorated for the remaining hours of the borrower's program (see next section).

Remedial work & grade level

Remedial coursework can be counted towards the student's grade level progression, but only if the school's written and officially approved academic grade level progression policy specifies that remedial coursework can be counted for this purpose. Example: A school requires that the student complete 30 semester hours to progress to second-year grade level, and specifies that up to 10 of the hours may be in the form of remedial coursework.

No policy of denying loans

A school may not have a policy of originating loans for amounts that are less than a borrower's eligibility. On a case by case basis, a school may refuse to originate a loan for an individual student or originate a loan for an amount less than an individual borrower's maximum eligibility. However, if a school takes one of these actions on a case-by-case basis, the decision must be provided to the borrower in writing and supporting documentation must be kept in the student's file.

Loan limits and work in a prior certificate program

A school may not link two stand-alone 1-year programs by making one a prerequisite for admission to the other so that students beginning the second 1-year program could be classified as second-year students for loan limit purposes. However, hours or credits earned in a prior certificate program could be used to classify a transfer student at a grade level higher than grade level 1 if the student transfers into a program that is greater than one academic year in length and the new school accepts a year's worth of credits/hours from the prior program. For instance, if a school admits a transfer student from a certificate program and accepts 900 clock hours that the student earned toward its 1,500-hour program, the student could be eligible for the 2nd-year loan limits if other students in the program are eligible for 2nd-year loan limits after completing the first 900 hours of the program.

PRORATING ANNUAL LOAN LIMITS FOR UNDERGRADUATE DIRECT SUBSIDIZED/UNSUBSIDIZED LOANS

The annual maximum loan amount an undergraduate borrower may receive must be prorated when the borrower is enrolled in a program that is:

- shorter than a full academic year; or
- one academic year or more in length, but is in a remaining period of study that is shorter than a full academic year.

Bear in mind that loan limit proration determines the maximum loan amount that a borrower may borrow for a program or remaining balance of a program, not the loan amount that the borrower actually receives. In some cases, the actual loan amount that a borrower is eligible to receive (based on costs, EFC, and other aid) may be less than the prorated loan limit.

Prorating loan limits for programs of study shorter than a full academic year

If an academic program is shorter than a full academic year in length, you must multiply the applicable loan limit(s) by the *lesser* of —

$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, clock-hours in academic year}}$$

or

$$\frac{\text{Weeks enrolled in program}}{\text{Weeks in the academic year}}$$

The result is the prorated annual loan limit for that program. (You may express these fractions as decimals to see more easily which is less or to calculate the prorated limit.)

Prorating loan limits for remaining periods of study shorter than an academic year

You must also prorate loan limits for borrowers enrolled in remaining periods of study shorter than an academic year. This circumstance can occur when a borrower is enrolled in a program that is one academic year or more in length, but the remaining period of study needed to complete the program will be shorter than an academic year.

Proration is required only when it is known in advance that a borrower will be enrolled for a final period of study that is shorter than an academic year. If a borrower originally enrolls for a final period of study that is a full academic year in length but completes the program early in less than a full academic year, it is not necessary to retroactively prorate the annual loan limit.

Direct Loan proration
34 CFR 685.203(a), (b), and (c)

When and when not to prorate

You must prorate a Direct Subsidized/Unsubsidized Loan limit for an undergraduate borrower if:

- the academic program is shorter than an academic year; or
- the student's remaining period of study is shorter than an academic year.

Direct Subsidized/Unsubsidized Loan limits are prorated only in these two situations. Loan limits are not prorated based on a student's enrollment status, such as when a student is enrolled less than full-time or is enrolled for a period of less than a full academic year that is not a remaining period of study. In addition, loan limits are not prorated for students enrolled in graduate or professional level programs.

Loan proration requirements also do not apply to loans made to students taking preparatory coursework or coursework necessary for teacher certification. The annual loan limit must be prorated only when a student is enrolled in a program or remaining portion of a program that is shorter than an academic year. Students taking preparatory coursework or coursework needed for teacher certification are not enrolled in a program.

Note on fractions and decimals for prorating Direct Loans

It is acceptable to convert the fraction to a decimal and then multiply the annual loan limit by the decimal, but this conversion is not a requirement. You may still choose to multiply the annual loan limit by the original fraction. However, you should be consistent in the method you use since the fraction and decimal calculations sometimes result in slightly different prorated loan limits. The decimal method will generally—if not always—result in an amount that is equal to or slightly higher than the amount calculated using the original fraction.

Using school's definition of academic year if greater than the FSA minimum

A school may choose to define its academic year as longer in weeks or hours than the minimum statutory requirements. If so, then it's the school's standard—not the statutory minimum—that applies when determining whether a program or a final period of study is shorter than an academic year.

Prorating the annual loan limit for borrowers enrolled in remaining portions of term-based programs

A student who is enrolled in a 4-year program that is offered in a Scheduled Academic Year consisting of three quarters plus a summer "trailer" has completed four academic years of study and received four Direct Loans. The student needs to attend an additional quarter term to complete the program requirements. The final quarter term would fall in a new academic year, and thus the annual loan limit would have to be prorated because the remaining period of study (a single quarter) is less than a full academic year.

A student who is enrolled in a 2-year program without a Scheduled Academic Year where the FSA academic year covers two 15-week semesters has completed two academic years of study but needs to return for an additional semester to complete the program requirements. Again, the loan limit would have to be prorated if the student receives a loan for the final semester.

In a standard term program, or a credit-hour program using nonstandard SE9W terms, a remaining period of study is considered shorter than an academic year if the remaining period contains fewer terms than the number of terms covered by the school's FSA academic year. For programs that are offered in a Scheduled Academic Year, the number of terms covered in the school's FSA academic year does not include any summer "header" or "trailer" term.

In a *clock-hour program, non-term program, or a program with nonstandard terms that are not SE9W,* a remaining period of study is considered less than an academic year for this purpose if the remaining period consists of fewer clock or credit hours than the program's defined FSA academic year.

For all types of programs, where there is a remaining portion less than an academic year, the annual loan limit for the borrower's grade level is multiplied by the following fraction to determine the prorated loan limit:

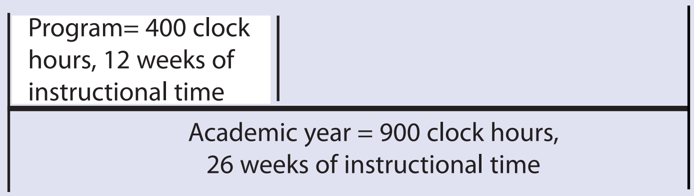
$$\frac{\text{Semester, trimester, quarter, or clock-hours enrolled in program}}{\text{Semester, trimester, quarter, clock-hours in academic year}}$$

Unlike proration for programs that are shorter than an academic year, there is no comparison of weeks and hours. *Only the credit or clock-hours that the borrower is scheduled to attend or is actually attending at the time of origination are used in the calculation.*

Any additional Direct Unsubsidized Loan amount is also prorated.

Proration Examples for Programs Shorter Than an Academic Year

Example 1



Jill is a dependent student enrolled in a 12-week program at Hancock Career College. HCC defines the academic year for this program as 900 clock-hours providing 26 weeks of instructional time. Measured in clock-hours, Jill's program is 400 clock-hours long.

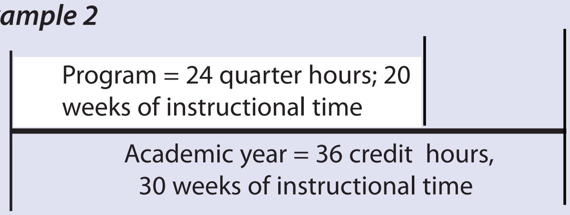
To determine the maximum loan amount she can borrow, convert the fractions based on weeks (12/26) and hours (400/900) to decimals (12/26 = .46 and 400/900 = .44). Multiply the smaller decimal (.44) by the first-year annual loan limits for a dependent undergraduate: $3,500 combined subsidized/unsubsidized and $2,000 additional unsubsidized.

$3,500 x .44 = $1,540 combined subsidized/unsubsidized

$2,000 x .44 = $880 additional unsubsidized

The maximum combined subsidized and unsubsidized loan amount Jill can borrow for the program is $2,420, but no more than $1,540 of this amount may be in subsidized loans.

Example 2



Morgan is an independent student enrolled in a program at Hancock Career College that provides 24 quarter-hours and 20 weeks of instructional time. HCC defines the academic year for this program as 36 quarter-hours and 30 weeks of instructional time. To determine the maximum loan amount she can borrow, convert the fractions based on weeks (20/30) and quarter-hours (24/36) to decimals (20/30 = .67 and 24/36 = .67). In this case, the two decimals are equal. Multiply the decimal by the first-year annual loan limits for an independent undergraduate:

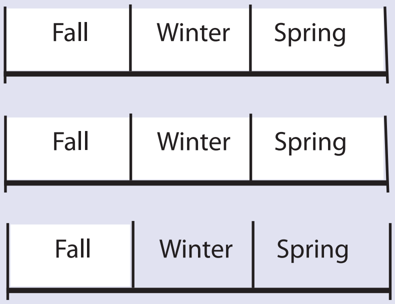
$3,500 x .67 = $2,345 combined subsidized/unsubsidized

$6,000 x .67 = $4,020 additional unsubsidized

The maximum combined subsidized and unsubsidized Direct Loan amount Morgan can borrow for the program is $6,365, but no more than $2,345 of this amount may be in subsidized loans.

Proration examples for remaining period of study shorter than an academic year, contd.

Example 1: Academic year contains 3 quarters Remaining period = 1 quarter



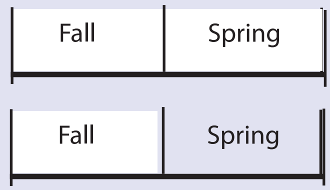
Scott has attended 6 quarters in a 2-year program at Vandenberg Community College, but to finish the program, he needs to attend an additional quarter as a half-time student (6 quarter hours). Scott is a dependent undergraduate student, and BCC defines its academic year (covering three quarters) as 36 quarter hours and 30 weeks of instructional time.

To determine the prorated loan limit for Scott's remaining period of study (the final fall quarter), convert the fraction based on the hours that Scott is expected to attend and the hours in the academic year to a decimal (6/36 = .17).

Multiply this decimal by the second-year dependent undergraduate annual loan limits: $4,500 x .17 = $765 combined subsidized/unsubsidized $2,000 x .17 = $340 additional unsubsidized

The total prorated loan limit for the remaining period of study is $1,105, not more than $765 of which may be subsidized.

Example 2: Academic year contains 2 semesters Remaining period = 1 semester



Scott transfers to a BA program at Reiff College. By taking 18 hours a semester, he will be able to graduate in the fall term of his second year. Scott is a dependent undergraduate student, and Reiff defines its academic year (covering two semesters) as 24 credit hours and 30 weeks of instructional time.

To determine the prorated loan limit for the remaining period of study (the fall semester of the second academic year), convert the fraction based on credit hours to a decimal (18/24 = .75). Multiply this decimal by the fourth-year dependent undergraduate annual loan limits:

$5,500 x .75 = $4,125 combined subsidized/ unsubsidized

$2,000 x .75 = $1,500 additional unsubsidized

The total prorated loan limit for the remaining period of study is $5,625, not more than $4,125 of which may be subsidized.

Example 3: Academic year contains 900 clock hours and 26 weeks; Program = 1800 clock hours

Year 1: Student completes 1,040 clock hours in 26 weeks

Year 2: 750 clock hours remaining in program

Coker Career College has an 1,800 clock-hour program and defines its academic year as 900 clock-hours and 26 weeks of instructional time. Sally, a dependent undergraduate student, successfully completes the first 900 clock-hours of the program in 22 weeks of instructional time. However, she must complete an additional four weeks of instructional time before she may receive a second loan. After 26 weeks of instructional time have elapsed, Sally has successfully completed 1,040 clock hours. She may then receive a second loan, but the loan limit must be prorated based on the number of clock hours remaining in her program at this point.

To determine the prorated loan limit for Sally's second loan, convert the fraction based on the number of clock-hours remaining to a decimal (760/900 = .84). Multiply this decimal by the second-year dependent undergraduate annual loan limits:

$4,500 x .84 = $3,780 combined subsidized/unsubsidized

$2,000 x .84 = $1,680 additional unsubsidized

The total prorated loan limit for the remaining period of study is $5,460, not more than $3,780 of which may be subsidized.

Example 4: Remaining period of study with scheduled period of nonenrollment

McNutt Institute has an academic year that covers three quarters: fall, winter, and spring. Milton will be enrolling in the fall and spring quarters, but not the winter quarter, and will graduate at the end of the spring quarter.

Because the fall quarter is in the same academic year as Milton's final quarter, it is part of the final period of study, even though there is a term between the final quarter and the fall quarter in which he will not enroll. McNutt Institute may award Milton a single loan for the fall and spring quarters (costs for the winter quarter must be excluded) or separate loans for fall and spring. In either case, the annual loan limit must be prorated because Milton's final period of study (two terms) is shorter than an academic year. If Milton decided to enroll for the winter quarter on a less-than-half-time basis, his remaining period of study (three terms) would be equal to a full academic year and proration would not be required, even though he would have no loan eligibility for the winter quarter.

REMAINING LOAN ELIGIBILITY FOR BORROWERS WHO TRANSFER OR CHANGE PROGRAMS

The annual loan limits are based on an academic year. If a borrower transfers from one school to another school or changes to a different program at the same school and there is an overlap of academic years, this overlap may affect the amount that the borrower is eligible to borrow at the new school or for the new program.

An overlap in academic years exists at the new school if the academic year at the new school (or the academic year for the new program at the same school) begins before the calendar end date of the academic year at the prior school or for the prior program. In the case of a transfer student from another school, you may obtain documentation from the prior school of the specific beginning and ending dates for the prior academic year or may consider the prior academic year to have begun with the starting date of the borrower's most recent loan period (as shown in NSLDS) and to have ended 30 calendar weeks later. (However, if the most recent loan period was more than 30 calendar weeks in length, you must consider the academic year at the prior school to have ended on the last date of the prior loan period.)

The same principles for borrowers who transfer from one school to another school would apply in the case of borrowers who change programs within the same school.

Programs with standard terms or nonstandard SE9W terms (SAY, BBAY 1, or BBAY 2)

If a borrower enrolls in a program with standard terms (or nonstandard SE9W terms) after already having taken out a loan at another school with an overlapping academic year, the borrower initially may not receive more than the annual loan limit minus the amount received at the prior school.

However, the borrower may borrow again for a subsequent term within the same academic year at the new school if the term begins after the end of the academic year at the prior school. For a subsequent term that begins after the end of the prior school's academic year, but within the initial academic year at the new school, the borrower may borrow up to the difference between the applicable annual loan limit and the amount already received for the new school's academic year.

Remaining Loan Eligibility Upon Transfer/Program Change

Standard term

A student receives a $2,000 Direct Subsidized Loan at School A for a loan period from May 1 to August 31. The student, a dependent undergraduate, transfers to a program at School B in September and is admitted at grade level 2. The student requests a loan for the fall and spring semesters (September–May). School B makes a determination that the academic year at School A ended on November 27 (30 weeks after the start of the loan period at School A).

Because the academic year at School B begins before the end of the academic year at School A, the student may initially receive a maximum of $4,500 for the fall semester at School B, not more than $2,500 of which may be subsidized. This amount represents the difference between the annual loan limit of $6,500 (maximum $4,500 subsidized) and the amount received at School A ($2,000 subsidized) for the overlapping academic year period. Assuming that the student receives the maximum of $4,500 for the fall semester, at the start of the spring semester in January (after the end of the academic year at School A), the student may borrow up to an additional $2,000, the difference between the dependent undergraduate 2nd-year annual loan limit and the amount already borrowed for the fall- spring academic year at School B. If the student received the maximum $2,500 in subsidized loan funds for the fall term, the additional $2,000 would be limited to unsubsidized.

As an alternative, School B could choose to place the student on a BBAY schedule beginning with the spring semester. The student would then be eligible to borrow up to the full annual loan limit for a spring/summer BBAY.

Clock-hour program

For example, a student receives the first disbursement ($2,750) of a Direct Unsubsidized Loan at School A for a loan period from April 1 to December 31. (For purposes of this example, assume that the student has no financial need for a Direct Subsidized Loan; all loan amounts in the example represent Direct Unsubsidized Loans.) The student, a dependent undergraduate, leaves school A in June and transfers to an 1,800 clock-hour program at School B, and School B does not accept any transfer hours from School A. Because the academic years at the two schools overlap, the maximum loan amount that the student may receive for the first academic year of the program at School B (900 clock-hours and 30 weeks of instructional time) is $2,750, the difference between the first-year annual loan limit ($5,500) and the amount received at School A ($2,750).

If School B accepts some hours on transfer, it would originate a loan for the remaining balance of the annual loan limit ($2,750) for the period covering the remaining portion of the School A loan period. After this remaining period is completed, the student would progress to a new annual loan limit.

For clock-hour and non-term programs, and programs with nonstandard terms that are not SE9W (use BBAY 3)

Transfer into a new program at the same institution, or transfer to a new institution

If a student withdraws from a credit-hour, non-term program or a clock-hour program without completing the period and:

- reenters the same program at the same institution more than 180 days after withdrawal, receiving credit for hours previously earned; or
- transfers into another credit-hour non-term or clock-hour program at any time (either at the same institution or at a new institution) and the institution accepts all or some of the hours earned in the prior program, then the student starts a new payment period when he or she reenters or transfers.

In calculating awards for a student who reenters the same program after 180 days, reenters in a new program, or transfers to a new institution, the institution treats the hours remaining in the program as if they are the student's entire program. The number of payment periods and length of each payment period are determined by applying the rules in the appropriate part of the definition of a payment period to the hours remaining in the program upon transfer or re-entry.

A school may consider a student who transfers into another program at the same school to remain in the same payment period if five conditions are met:.

1. The student is continuously enrolled at the school.
2. The coursework in the payment period the student is transferring out of is substantially similar to the coursework the student will be taking when he or she first transfers into the new program.
3. The payment periods are substantially equal in length in weeks of instructional time and credit hours or clock hours, as applicable.
4. There are little or no changes to the institutional charges to the student for the period.
5. The credits from the payment period the student is transferring out of are accepted toward the new program.

Re-entry after 180 days
34 CFR 668.4(f)

This provision addresses situations where a student's transfer to a new program at the same institution results in very little change to the student's academic circumstance, e.g., a change that is really nothing more than a change in majors. The Department believes that when this occurs, it is appropriate to spare the school the burden of withdrawing a student, performing a Return calculation, and returning Title IV grant or loan funds, only to award them again for the new payment period(s).

If a school treats the student as one who is not withdrawing from the institution, no Return calculation is performed, and the student continues in the same payment period he started in with his original program.

Eligibility of transfer students for additional Title IV funds

Generally, at a clock-hour or non-term credit-hour school, a student can be paid again for clock hours or credit hours that he or she has already completed at that school only if he or she has completed a program and reenrolls to take that program again or to take another program. In addition, when a student reenters a clock-hour or credit-hour non-term-based program after 180 days, the student may be paid for repeated courses.

For example, a student who withdraws after completing 302 clock hours of a 900 clock-hour program has 148 hours remaining in the 450-hour payment period. The student reenrolls after 180 days in the same program and receives credit for 100 hours. The program length for purposes of determining the new payment periods is 800 clock hours (the remainder of the student's program), so the new payment periods are 400 hours and 400 hours (the 302 hours completed and the 148 hours that remained do not apply). Any reduction in the payment would be based on whether the student's scheduled award or annual loan limits are exceeded. (If the student in this example received no credit for previously completed hours, the student's program length for purposes of determining the payment periods would be 900 clock hours.)

However, a transfer student's eligibility for additional Title IV funds may be subject to a variety of limitations associated with the aid the student received during the student's most recent period of attendance. For example, in the Pell Grant Program, a student may never receive more than his or her Pell scheduled award for an award year. In the Federal Direct Loan program, the application of the annual loan limits imposes additional limitations on a borrower's eligibility for funds when the borrower transfers (see ***Loan Principles*** on next page).

LOAN PRINCIPLES APPLICABLE TO TRANSFER AND RE-ENTRY AT NON-TERM SCHOOLS

1. For non-term programs, a Borrower–Based Academic Year (BBAY) must be used to monitor annual loan limits. For a student who transfers or reenters a program, the loan period certified must be the lesser of the:
   - academic year,
   - program, or
   - remaining balance of a program of study.
2. A school may originate a loan for a period that exceeds 12 months.
3. When we say balance, we mean the borrower's annual loan limit, less any amount previously borrowed for the same academic year, plus any amount returned per 34 CFR 668.22.

   For a transfer student, when an overlap exists between the borrower's original loan period and the borrower's new period of attendance, or the academic years of the two schools, the borrower is eligible to receive a loan for an amount that does not exceed the remaining balance of the student's annual loan limit. The new school may certify or originate the loan for the remaining portion of the program or academic year. **The borrower is not eligible for a new loan until the original loan period and original academic year have ended.**

   Note that if the original academic year is unknown, a school must assume the previous school had an academic year of 30 weeks.

   A receiving school that accepts fewer credits or clock hours than the student successfully completed at his or her prior school may, if it can document that the student successfully completed additional credits or clock hours, count those hours as completed hours in the student's loan period.

   Note that when we say successfully completes, we mean that the student earns a passing grade or otherwise receives credit for the course.

   If there is no overlap, the borrower is immediately eligible for a new annual loan limit. The receiving school can certify the borrower for a loan period that corresponds to its academic year or the entire balance of the program. If the portion of the program that remained was less than an academic year, the loan would be subject to proration.

5. When certifying a loan for returning student for a new BBAY, the Cost of Attendance may include only those costs associated with the period for which the loan is certified. It may not include any costs used in certifying the previous loan unless those costs represent charges for which funds were returned to the Department or refunded to the student, subsequent to the previous withdrawal.

Loan Principles, continued

6. When a student reenters the same program within 180 days and before the end of the student's initial loan period, a school can change the original loan period end date and reschedule the second disbursement. In this case, the student is held to the same disbursement requirements that applied initially (e.g., for one additional disbursement, the student must successfully complete one-half the coursework and one-half the weeks of instructional time in the loan period before he or she can receive the second disbursement).
7. When a student reenters the same program within 180 days and before the end of the student's initial loan period, if the school can originate a loan with a new loan period that begins on the date the borrower returns to school and extends to either the balance of the original loan period or balance of the program, whichever is shorter, the student is eligible to receive only the balance of the loan, and it must be disbursed in multiple disbursements.

   The borrower is not eligible for a new loan until the original loan period and original academic year have ended. If some portion of the program remains after the completion of the new loan period, the school could certify a new loan for that portion of the program. If the portion of the program that remained was less than an academic year, the loan would be subject to proration.
8. If a student reenters a program after the end date of the initial loan period or BBAY, a school may certify a new loan for either the balance of the program or academic year, whichever is shorter. If the portion of the program that remained was less than an academic year, the loan would be subject to proration.

Borrower completes a program and starts another at the same institution

A borrower completes a program at your school and then begins a new program at your school, and the borrower's last loan for the completed program is for less than an academic year. In this case, you may originate the loan for the remainder of the academic year for the new program. You may originate the loan for an amount that does not exceed the remaining balance of the borrower's annual loan limit at the loan level associated with the new program.

DIRECTIONS FOR ADJUSTING DIRECT LOANS

If a student who ceased attendance for a period in which he or she received a Direct Loan returns to school within the time that regulations require that his or her Title IV aid be redisbursed, a school must submit a change record to the Common Origination and Disbursement (COD) system that:

- adjusts the amount of the loan to that appropriate to the enrollment status at which the student has reenrolled;
- adjusts the academic year and loan period (award period) to the student's new anticipated completion date; and
- changes the disbursement dates to reflect when disbursements actually occur.

If a school needs to submit a change record after the closeout date for an award year (the last processing day in July of the year following the award year of which the loan was originated), the school will need to request an extension to the established data submission (closeout) deadline.

This can be done through the COD website at

https://cod.ed.gov/

Authorized school users must log on to the website, select the "School" menu and then select "Request Post Deadline/Extended Processing" on the left side. Users then –

- select the correct award year and program for the request;
- choose "Re-entry within 180 days" from the drop down menu as the reason code;
- provide an explanation for the request; and
- then "Submit".

Schools will be notified if/when the request has been approved.

EFFECTS OF INADVERTENT OVERBORROWING

Inadvertent Overborrowing
GEN-13-02

Exceeding loan limits
34 CFR 6668.32(g)(2)

Regaining eligibility
34 CFR 668.35(d)

Excess Borrowing that is not Inadvertent

Borrowing in excess of annual or aggregate loan limits is not considered to have been inadvertent if there is any evidence that the overborrowing was the result of deliberate action on the part of the institution that determined the borrower's eligibility for the loan or on the part of the borrower who received the loan. If the institution determines that the overborrowing was the result of deliberate action on the part of another institution or the borrower, it must notify its Federal Student Aid School Participation Team and provide the necessary evidence. If the institution suspects fraud involving Federal student aid, it should call the Inspector General Hotline at **1-800-647-8733**.

Servicer—one of the Federal loan servicers or the holder or servicer of a commercially held FFEL Program loan, as applicable.

Under the Department's regulations governing eligibility for federal student financial aid, a student is not eligible to receive funds under any of the Title IV student aid programs if the student has received Title IV loan funds in excess of applicable statutory loan limits. However, as explained below, the regulations specify actions that a student who has inadvertently exceeded an annual or aggregate loan limit may take to regain Title IV eligibility.

We refer to the inadvertent receipt of loan funds in excess of annual or aggregate loan limits as "inadvertent overborrowing." (Note that inadvertent overborrowing is not the same as an overaward where a student's financial aid package exceeds the student's financial need or cost of attendance.)

A school must determine that a borrower's receipt of loan funds in excess of an annual or aggregate loan limit was inadvertent before the borrower may regain Title IV eligibility. Examples of circumstances that may have resulted in a student inadvertently exceeding an annual or aggregate loan limit include, but are not limited to: institutional processing errors, missing or incorrect National Student Loan Data System (NSLDS) information (e.g., capitalized interest incorrectly included in a borrower's aggregate outstanding loan balance), or unintentional student error or omission.

Generally, a school becomes aware that a student has exceeded an aggregate loan limit from flags (and comments) included in the student's Institutional Student Information Record (ISIR) – 2012-2013 ISIR Fields #430 – 433. Those flags are generated from information contained in NSLDS.

Regaining Title IV eligibility after inadvertent overborrowing

A student who has inadvertently exceeded annual or aggregate loan limits, and who is not in default on a Title IV loan, may regain Title IV eligibility if the student:

1. repays the excess loan amount in full; or
2. makes satisfactory arrangements to repay the excess amount.

If the loan that caused the inadvertent overborrowing is a Direct Loan or a Federal Family Education Loan (FFEL) Program loan that is held by the Department, the student must contact the federal loan servicer that services the loan to resolve the inadvertent overborrowing. If the loan that caused the inadvertent overborrowing is a FFEL Program loan held by a loan holder other than the Department (a "commercially held" FFEL Program loan), the student must contact the FFEL loan holder or the servicer for the loan to resolve the inadvertent overborrowing.

If a student who has inadvertently received loan funds in excess of an annual or aggregate loan limit wishes to receive additional Title IV aid, the school where the student wishes to receive the aid must identify the loan(s) that resulted in the overborrowing, discuss the overborrowing with the student, and resolve any discrepancies in the information that is obtained.

Repaying the excess amount

If a student who has inadvertently overborrowed wishes to regain Title IV eligibility by repaying the excess loan amount, the student must contact the applicable servicer and comply with the servicer's repayment instructions. The school may assist the student in identifying and contacting the servicer, but the student, not the school, must make the payment of the excess loan funds in accordance with the servicer's instructions. Once the student has repaid the excess loan amount in full, the servicer will send the student confirmation that the excess loan amount has been repaid. The student or servicer must provide a copy of the repayment confirmation to the school. The inadvertent overborrowing is considered to have been resolved as of the date the servicer received the borrower's full payment of the excess loan amount.

Making satisfactory repayment arrangements to repay the excess loan amount (Reaffirmation)

A student who has inadvertently overborrowed may regain Title IV eligibility by making satisfactory repayment arrangements acceptable to the servicer of the loan. The satisfactory repayment arrangement requirement can be met if the student agrees, in writing, to repay the excess amount according to the terms and conditions of the promissory note that supported the loan. This is called "reaffirmation." The reaffirmation process includes the following steps:

1. Either the institution or the student contacts the servicer and explains that the student has inadvertently overborrowed and wishes to reaffirm the debt.
2. The servicer sends the student a reaffirmation agreement.
3. The student reads, signs, and returns to the servicer the reaffirmation agreement.
4. The servicer sends the student confirmation that the reaffirmation agreement has been accepted. The student or servicer must provide a copy of the reaffirmation confirmation to the institution.
5. The inadvertent overborrowing is considered to have been resolved as of the date the servicer receives the student's signed reaffirmation agreement.

Consolidating loans as a means of resolving overborrowing

If a borrower who inadvertently received more than the annual or aggregate Direct Loan limits has consolidated the loan(s) that caused the borrower to exceed the loan limit into a Direct Consolidation Loan (or, prior to July 1, 2010, into a FFEL Consolidation Loan), the consolidation loan is considered to be a satisfactory arrangement to repay the excess amount that restores the borrower's eligibility for FSA aid. However, the consolidation of an amount that exceeded the aggregate Direct Loan limits does not automatically make a student eligible for additional Direct Loan funds.

Effective date for regaining Title IV eligibility

When an otherwise eligible student resolves an inadvertent overborrowing issue by one of the methods discussed above, the student regains eligibility for the Pell Grant, Campus-Based, TEACH Grant, and Iraq and Afghanistan Service Grant programs beginning with the payment period in which the issue was resolved, and regains Direct Loan Program eligibility retroactive to the beginning of the academic year in which the issue was resolved.

Regaining eligibility for Title IV funds

A student who regains Title IV eligibility after having exceeded an annual loan limit for an academic year is not be eligible to receive additional Direct Loan funds for that same academic year, but could receive other types of Title IV aid for the year.

The student may be eligible to receive additional Direct Loan funds for subsequent academic years if the student has remaining eligibility under the aggregate loan limits, depending on which aggregate limit was exceeded. A student who had inadvertently exceeded the combined subsidized/unsubsidized aggregate loan limit may not receive any additional Direct Subsidized Loans or Direct Unsubsidized Loans (though a dependent student's parent or a graduate or professional student could receive Direct PLUS Loans). However, if the student exceeded only the subsidized aggregate limit, the student could receive Direct Unsubsidized Loans up to the annual and aggregate maximums.

Example: Resolving Cases of Overborrowing

Example 1

A dependent undergraduate student who inadvertently exceeded the $31,000 combined subsidized/unsubsidized aggregate loan limit may regain eligibility for other types of Title IV aid (e.g., Pell Grants, Campus-Based aid) by signing a reaffirmation agreement, but may not receive any additional Direct Subsidized Loans or Direct Unsubsidized Loans as a dependent undergraduate student. The student's parent may receive a Direct PLUS Loan. However, if a dependent student exceeded the $23,000 subsidized aggregate loan limit but did not exceed the combined subsidized/unsubsidized aggregate loan limit, the student regains eligibility for Direct Unsubsidized Loan funds up to the student's annual loan limit for the academic year, subject to the combined subsidized/unsubsidized aggregate loan limit of $31,000.

Example 2

An independent undergraduate student who inadvertently exceeded the $23,000 subsidized aggregate loan limit, but who has remaining eligibility for unsubsidized loans under the $57,500 combined subsidized/unsubsidized aggregate limit, could regain eligibility for Title IV aid—including Direct Unsubsidized Loans—by signing a reaffirmation agreement. However, the student may not receive any additional Direct Subsidized Loans.